



ANNUAL MEETING<sup>1</sup> OF THE BOARD OF DIRECTORS  
AGENDA  
CASCADE WATER ALLIANCE  
Held at Cascade's Office and Via Zoom  
February 26, 2025  
3:30 PM

	<u>Page</u>
1. CALL TO ORDER	
2. ROLL CALL	
3. MUNICIPAL RESEARCH AND SERVICES CENTER (MRSC) – <i>No materials in packet.</i>	
4. PUBLIC COMMENT	
5. APPROVAL OF AGENDA	
6. CHIEF EXECUTIVE OFFICER'S REPORT	<u>3</u>
7. CONSENT ITEMS	
a. Board Meeting Minutes for January 22, 2025.	<u>28</u>
8. OTHER ACTION ITEMS	
a. Motion To Adopt Resolution No. 2025-04 Authorizing the Chief Executive Officer to Replace an Exhibit in the Agreements to be Executed with the City of Tacoma for Wholesale Water Supply.	<u>32</u>
9. STAFF PRESENTATIONS	
a. Wholesale Contracts Status Update – <i>No materials in packet.</i>	
10. COMMITTEE REPORTS	
a. Executive Committee – <i>January 28, 2025.</i>	<u>69</u>
b. Finance and Management Committee – <i>No meeting held.</i>	
c. Public Affairs Committee – <i>February 5, 2025.</i>	<u>70</u>
d. Resource Management Committee – <i>February 13, 2025.</i>	<u>72</u>
11. EXECUTIVE SESSION	
a. To review the performance of a public employee as authorized under RCW 42.30.110(1)(g).	

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<sup>1</sup> The February meeting of the Cascade Water Alliance Board satisfies the requirement for an Annual Meeting, as adopted by Article IV of the Bylaws.

12. NEW BUSINESS

13. NEXT REGULAR MEETING – *March 26, 2025 – Cascade’s Office or Via Zoom – 3:30 p.m.*

14. ADJOURN

NOTE: AS ALLOWED BY STATE LAW, THE BOARD OF DIRECTORS MAY ADD AND TAKE ACTION ON ITEMS NOT LISTED ON THE AGENDA.



MEMORANDUM

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DATE: February 26, 2025

TO: Penny Sweet, Chair  
Board of Directors

FROM: Ray Hoffman, Chief Executive Officer

SUBJECT: Chief Executive Officer's Report

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**Administration, Finance, and Economics**

- Brian Bartle is joining Cascade on February 26 as the new Program Executive for the Tacoma-Cascade Pipeline (TCP) program. Brian most recently worked at HDR where he served in a number of leadership roles, including Water Business Group Manager, Water Market Sector Lead, and Pump Stations and Pipeline Business Class Lead. He also served as Deputy Director of Bellevue Utilities from 2019 through 2021. Brian has extensive experience in planning, designing, managing, and constructing challenging infrastructure projects, including water pipe projects.
- In 2024, Cascade completed or made good progress on 39 of the 43 actions in its 2024 Work Plan. Details of the accomplishments are attached along with the 2025 Work Plan. In 2025, priorities include executing the wholesale water supply contracts; beginning the planning work and identifying funding for the TCP program; completing the Water System Plan; constructing the Headworks Intake Modifications project (Phase 3); designing the Bellevue-Issaquah Pipeline Relocation project; completing the Strategic Plan; completing the climate change impacts study and water quality management plan; and implementing the Turf Out program.
- Cascade staff met with BrightNight in January to discuss the progress on their battery storage project adjacent to the Powerhouse for which Cascade granted a transmission easement. BrightNight is at the 30% design phase, and Cascade staff provided comments. The new timeline for the project includes a ceremonial groundbreaking event with state and local officials in the summer and construction beginning in the fall. The Cascade Board will be invited to attend and participate in the ceremony as well. Upon commencement of construction, Cascade will receive \$1.29 million.
- Cascade employees are working to complete cybersecurity training for 2025. Cascade's IT consultant, TeamLogicIT, along with its insurance provider, WSRMP, provide a training platform for employees to improve their awareness of security threats. The training is completed by every employee annually.

- Regional Capital Facilities Charges (RCFCs) connections are off to a weak start in 2025 with 65.5 net CERUs. January's below budget growth follows five months of strong growth, so it is too soon to make assumptions for 2025. Budget expectations for 2025 are 1,150, which is down from 1,300 in 2024.
- Cascade is preparing for Clark Nuber to conduct the annual audit of Cascade's fiscal year 2024 during the week of March 17. The auditors will examine Cascade's financial reports, internal controls, and compliance with policies and procedures. Once complete, the auditors will present the results of the audit at the June meeting of the Finance and Management Committee. The State Auditor's Office will conduct a separate audit of Cascade later this year.
- Cascade is negotiating with King County for the purchase of Cascade's Noonan parcel. Cascade purchased the property in June 2009 as part of the project of securing a future corridor for the TCP. Upon purchasing the property, Cascade demolished the property that was on the parcel in 2010. The property is adjacent to Cascade's Ford property, and last year, along with the Ford property demolition, Cascade removed a substantial amount of garbage from the parcel. Cascade is providing King County with a redlined response to their offer in February after survey work was done last month on the easement. If the sale goes forward, Cascade will retain a permanent pipeline and temporary construction easement, ensuring Cascade receives the benefit of the original purchase while eliminating the liability of owning the vacant land. This month, Cascade is dealing with an abandoned car on the parcel. Cascade anticipates going to the Finance and Management Committee and Board in April to surplus the parcel.

### **Capital Projects and Operations**

- The Lake Tapps Reservoir elevation was 538.9 feet on February 14. The beginning of spring refill is delayed and not anticipated until after March 15 due to unanticipated Phase 3 Project delays. Although the starting date of spring refill is delayed, Cascade is hopeful the reservoir elevation can reach summer recreation levels by Memorial Day.
- Phase 3 construction is progressing slowly and is about six weeks behind its baseline schedule that was submitted in early August. The contractor (Kiewit) is working on completing scant pile drilled piers and forming wall footings and a center divider wall. Kiewit is expected to allow Cascade to divert up to a minimum of 250 cfs to Cascade's flowline by mid-March to allow Cascade the ability to perform the spring refill of the reservoir.
- January was a month of planning and task order preparation for the White River Lake Tapps Project. The most significant on-going task is the toe repair of approximately 850 feet of Dike 11 and armoring Dikes 2A and 2B. These projects are currently on schedule to be completed by March 15, in time for anticipated reservoir refill operations.
- Cascade staff met with the WSDOT team and its Design Builder at Cascade's office on February 4. The meeting confirmed Cascade will deliver the BIP relocation using Cascade's Design and Construction team. Negotiations with the state for a cost recovery agreement will resume in February, and staff anticipate requesting Board approval of a design contract for a consulting engineer to complete the relocation design at the April or May Board meeting.

- Cascade’s five-year on-call electrical engineering contract expired December 31, 2024. Statements of Qualifications were due to Cascade from interested consulting teams on February 18. Staff anticipate presenting a recommendation to the Board to enter into a contract with one or more engineering firms during the March Board meeting.

**Water Efficiency**

- Cascade was a main sponsor at the Northwest Flower and Garden Festival, which took place February 19-23. The festival provided numerous ways to engage with residents and share ways they can conserve water.
- Staff launched a Turf Out guidebook, which walks residents and property owners through the steps necessary to remove their lawn and replace it with native and/or drought-tolerant landscaping. Lawns are water-intensive, so replacing them with native plants will reduce water usage, especially during the warmer/drier months when Cascade has peak demand.
- Cascade provided several Cascade Gardener classes in its winter series, with a number of classes focusing on turf removal or alternatives to turf landscapes.
- Due in part to Cascade’s support, Pacific Cascade Middle School in Issaquah recently learned they have achieved the Water Conservation Sustainability Benchmark through the King County Green Schools program. Each year, Cascade works with the school to provide materials to help students perform a water audit of their homes and fixtures to help them improve water efficiency. The results of the students’ work show potential water and energy savings as well as avoided greenhouse gas emissions.
- Cascade participated in World Wetlands Day at the Mercer Slough Environmental Education Center in Bellevue, distributing conservation materials and answering questions from attendees.

**Intergovernmental and Communications**

- Ray Hoffman received a warm welcome from the Tacoma Public Utility Board at its Study Session on February 12. He took the opportunity to thank the Utility Board and Tacoma staff for their collaboration in negotiating new supply contracts and discussed how excited Cascade is to partner with Tacoma to transform the region’s approach to drinking water supply. The Utility Board in turn thanked Cascade for the “once in a generation” relationship and opportunity for regional stewardship and resiliency. Tacoma’s review and approval process continues through March with meetings scheduled for final Utility Board review and City Council Subcommittees and City Council approval.
- The Cascade/King County Agreement to Coordinate Reclaimed Water (Agreement) expires at the end of 2025, and discussions have been stalled since mid-2023. Once the Agreement expires, King County can actively pursue Cascade member customers to offer them reclaimed water in place of potable water. It would also mean Cascade would be free to explore legislation to achieve its policy goals. An alternative to letting the Agreement expire is to pursue an extension of the Agreement until the Regional Wastewater Services Plan (RWSP) policy work on reclaimed water is completed, possibly in 2029 or 2030 at the current pace. The Regional Water Quality Committee (RWQC) is currently working on how

to approach policy changes in the RWSP, with many Cascade members actively engaged in that forum. Cascade and King County staff met in February and have agreed to meet over the next four months to amend and extend the Agreement. Staff will continue to update the Resource Management Committee on progress, and the final draft agreement will be brought to the Board for review and approval.

### **Planning**

- The draft Water System Plan (WSP) is currently being reviewed by member staff. The next version of the draft will be provided to Department of Health, Ecology, SPU, Tacoma, and other adjacent purveyors for review. Concurrently, Cascade will conduct SEPA review, offer a public comment period, and hold a public hearing. The final WSP is now expected to be presented to the Board for adoption in May. This schedule may change depending on the amount of time DOH spends on its review.

### **Attachments**

1. Budget to Actual Expenditure Report through January 31, 2025.
2. Statement of Revenues and Expenditures through January 31, 2025.
3. Statement of Net Position as of January 31, 2025.
4. Contract Status Summary.
5. Monthly Warrants Listing.
6. Monthly Treasurer's Report as of January 31, 2025.
7. 2024 Achievements.
8. 2025 Work Plan.

Cascade Water Alliance  
 Budget to Actual Expenditure Report  
 January 1- January 31, 2025  
 8% of the year completed

<b>Administration</b>		<b>Budget</b>		<b>Actual</b>		<b>Balance</b>	<b>% Expended</b>
Salaries	\$	1,314,035	\$	208,887		1,105,148	15.9%
Benefits		334,195		67,919		266,276	20.3%
Wellness program		1,000		0		1,000	0.0%
Prof. Fee (Technical)		195,000		4,200		190,800	2.2%
Prof. Fee (Legal)		855,000		68,510		786,490	8.0%
Prof. Fee (Audit)		104,000		0		104,000	0.0%
Prof. Fee (Other)		55,000		0		55,000	0.0%
Seismic Resillency		250,000		0		250,000	0.0%
Meetings Expense		12,000		4,025		7,975	33.5%
Telephone/Internet		45,000		4,110		40,890	9.1%
Office Rent		403,478		32,176		371,302	8.0%
Office Supplies Admin.		15,000		3,048		11,952	20.3%
Equip. and Furniture		10,000		0		10,000	0.0%
Bank Fees		500		0		500	0.0%
Dues & Subscriptions		25,000		18,710		6,290	74.8%
Taxes/Licenses		15,000		0		15,000	0.0%
Travel		10,000		71		9,929	0.7%
Professional Dev.		10,000		230		9,770	2.3%
Computer Equipment		20,000		0		20,000	0.0%
Software Licenses		70,000		2,989		67,011	4.3%
Postage & Delivery		1,000		33		967	3.3%
Printing & Repro.		3,000		0		3,000	0.0%
Insurance		228,908		140,583		88,324	61.4%
Contingency		300,000		0		300,000	0.0%
<b>Total</b>	<b>\$</b>	<b>4,277,116</b>	<b>\$</b>	<b>555,492</b>	<b>\$</b>	<b>3,721,624</b>	<b>13.0%</b>

<b>Debt Service</b>		<b>Budget</b>		<b>Actual</b>		<b>Balance</b>	<b>% Expended</b>
Bond Debt Service	\$	9,225,591		2,729,425		6,496,166	29.6%
<b>Total</b>	<b>\$</b>	<b>9,225,591</b>	<b>\$</b>	<b>2,729,425</b>	<b>\$</b>	<b>6,496,166</b>	<b>29.6%</b>

<b>Conservation</b>		<b>Budget</b>		<b>Actual</b>		<b>Balance</b>	<b>% Expended</b>
Salaries	\$	158,149	\$	6,836	\$	151,312	4.3%
Benefits		42,238		132		42,106	0.3%
Prof. Fee (Technical)		25,000		2,005		22,995	8.0%
Prof. Fee (Legal)		1,000		0		1,000	0.0%
Dues & Subscriptions		5,500		709		4,791	12.9%
Rebate Reimb. Com.		115,000		0		115,000	0.0%
Irrigation Audit		15,000		0		15,000	0.0%
Turf Removal Rebates		50,000		0		50,000	0.0%
Comm. and Public I		375,000		34,150		340,850	9.1%
Misc. Serv. and Sup.		38,000		1,511		36,490	4.0%
<b>Total</b>	<b>\$</b>	<b>824,887</b>	<b>\$</b>	<b>45,343</b>	<b>\$</b>	<b>779,543</b>	<b>5.5%</b>

<b>Com. and Intergovern</b>		<b>Budget</b>		<b>Actual</b>		<b>Balance</b>	<b>% Expended</b>
Salaries	\$	124,465	\$	16,282	\$	108,182	13.1%
Benefits	\$	37,839		294		37,544	0.8%
Special Events		10,000		0		10,000	0.0%
Prof. Fee (Other)		165,000		16,550		148,450	10.0%
Sponsorships		30,000		0		30,000	0.0%
Comm. and Public I		280,000		3,050		276,950	1.1%
<b>Total</b>	<b>\$</b>	<b>647,303</b>	<b>\$</b>	<b>36,177</b>	<b>\$</b>	<b>611,127</b>	<b>5.6%</b>

Cascade Water Alliance  
 Budget to Actual Expenditure Report  
 January 1- January 31, 2025  
 8% of the year completed

<b>Operations-General</b>	<b>Budget</b>	<b>Actual</b>	<b>Balance</b>	<b>% Expended</b>
Wholesale Water	\$ 24,584,741	\$ 1,227,822	\$ 23,356,919	5.0%
Salaries	74,578	2,015	72,562	2.7%
Benefits	15,998	39	15,959	0.2%
BIP O&M	75,000	10,602	64,398	14.1%
Pipeline Prop. O&M	85,000	0	85,000	0.0%
PWTF Loan Debt	39,671	0	39,671	0.0%
<b>Total</b>	<b>\$ 24,874,987</b>	<b>\$ 1,240,478</b>	<b>\$ 23,634,509</b>	<b>5.0%</b>

<b>Operations-Lake Tapps</b>	<b>Budget</b>	<b>Actual</b>	<b>Balance</b>	<b>% Expended</b>
Salaries	\$ 898,952	\$ 24,875	\$ 874,077	2.8%
Benefits	\$ 201,190	583	200,606	0.3%
Prof. Fee (Technical)	785,750	11,258	774,493	1.4%
Prof. Fee (Other)	56,000	0	56,000	0.0%
Meetings Expense	3,500	0	3,500	0.0%
Telephone/Internet	2,500	604	1,896	24.2%
Office Supplies	5,000	146	4,854	2.9%
Equipment & Furn.	50,000	5,986	44,014	12.0%
Taxes/Licenses	16,000	0	16,000	0.0%
Travel	2,500	709	1,791	28.4%
Professional Dev.	2,500	0	2,500	0.0%
Software Licenses	36,000	0	36,000	0.0%
Permitting Costs	9,000	0	9,000	0.0%
Misc. Serv. and Sup.	119,000	2,277	116,723	1.9%
LT Operator	2,904,178	0	2,904,178	0.0%
Unplanned O&M	100,000	2,809	97,191	2.8%
Misc. Facility Repairs	130,000	866	129,134	0.7%
USGS Joint Fund	400,000	0	400,000	0.0%
Outage	80,000	0	80,000	0.0%
Milfoil Control	210,000	0	210,000	0.0%
Vendor Services	110,000	3,554	106,446	3.2%
Water Quality	100,000	0	100,000	0.0%
Dike and Roads	80,000	0	80,000	0.0%
<b>Total</b>	<b>\$ 6,302,070</b>	<b>\$ 53,666</b>	<b>\$ 6,248,404</b>	<b>0.9%</b>

<b>Tacoma Cascade Pipeline</b>	<b>Budget</b>	<b>Actual</b>	<b>Balance</b>	<b>% Expended</b>
Salaries	\$ 690,000	0	690,000	0.0%
TCP Consultants	2,175,000	0	2,175,000	0.0%
TCP Contingency	286,000	0	286,000	0.0%
<b>Total CIP Budget</b>	<b>\$ 3,151,000</b>	<b>\$ -</b>	<b>\$ 3,151,000</b>	<b>0.0%</b>

**Total Operating Budget**      \$            **49,302,954**    \$            **4,660,581**    \$            **44,642,373**            **9.5%**

<b>Capital Projects (multi-yr bdgt not shown)</b>	<b>Budget</b>	<b>Actual</b>	<b>Balance</b>	<b>% Expended</b>
Upper Conveyance	\$ 1,550,000	75,715	1,474,285	4.9%
Lower Conveyance	550,000	0	550,000	0.0%
Equipment	75,000	0	75,000	0.0%
Facilities	100,000	0	100,000	0.0%
Bellevue-issaquah	800,000	0	800,000	0.0%
Tacoma Agreement	6,341,209	6,341,209	0	100.0%
Capital Risk	750,000	0	750,000	0.0%
IT Infrastructure	25,000	0	25,000	0.0%
<b>Total CIP Budget</b>	<b>\$ 10,191,209</b>	<b>\$ 6,416,924</b>	<b>\$ 3,774,285</b>	<b>63.0%</b>

**Total Overall Budget**      \$            **59,494,163**    \$            **11,077,505**            **48,416,658**            **18.6%**



Cascade Water Alliance  
Statement of Revenues and Expenditures  
From 1/1/2025 Through 1/31/2025

Attachment 2

Operating Revenue	
Water sales	\$ 2,523,468
Administrative dues	4,241,294
Conservation program	49,587
Total Operating Revenue	6,814,349
Operating Expenses	
Cost of water sold	1,227,822
Salaries and benefits	345,272
Professional services	112,995
Depreciation and amortization	336,801
Communication and public information	34,612
Office expenses	162,573
Operations	6,531
Bank charges	24
Rent	8,291
Maintenance	975
Dues and subscriptions	22,469
Miscellaneous	3,178
Total Operating Expenses	2,261,542
Operating Income	4,552,807
Non-Operating Revenue (Expenses)	
Interest income	49,555
Other income	2,038
Interest expense, net of amount capitalized	(224,260)
Total Non-Operating Revenue (Expenses)	(172,668)
Increase in Net Assets	4,380,140
Net Assets, Beginning of Year	167,279,114
Net Assets, End of Year	\$ 171,659,254

Cascade Water Alliance  
Statement of Net Position  
As of 1/31/2025

Attachment 3

Assets	
Current Assets	
Cash and cash equivalents	\$ 33,024,064
Accounts receivable	10,196,633
Prepaid expenses	142,959
Total Current Assets	43,363,656
Capital Assets	
Equipment and furniture	2,386,409
Seattle water contract	22,267,611
Bellevue Issaquah pipeline	22,276,944
Tacoma water contract	119,740,687
Capital Leases	2,449,159
Less accumulated depreciation and amortization	(68,909,255)
Total Capital Assets	100,211,556
Projects in process and assets not yet in service	
Lake Tapps	110,219,231
Tacoma Cascade pipeline	26,539,385
Total Projects in process and assets not yet in service	136,758,617
Restricted cash and cash equivalents	14,109,089
Total Assets	294,442,917
Liabilities	
Current liabilities	
Payables and accrued liabilities	3,275,630
Accrued interest	778,365
Long-term debt current portion	
Bonds Payable-Current Portion	7,075,000
Other	39,474
Total Long-term debt current portion	7,114,474
Total Current liabilities	11,168,470
Long-term Liabilities	
Long-term debt	68,060,000
Tacoma contract	41,339,029
Bond premium, net of amortization	2,033,550
Total Long-term Liabilities	111,432,579
Total Liabilities	122,601,049
Net Assets	
Restricted for debt service	109,947,230
Unrestricted	61,906,649
Total Net Assets	171,853,879
Total Liabilities & Net Assets	\$ 294,454,928

## Consultant and Other Vendor Contract Status Summary

Attachment 4

Open contracts											
Vendor	Contract number	Contract title	Cascade manager	Effective date	End date	Status date	Percent work completed	Contract amount, including	Amount invoiced	Percent invoiced	Contract balance
Aquatechnex	1	2025 Lake Tapps Aquatic Plant Maintenance Program	P. Anderson	1/1/2025	12/31/2025	2/14/2025	0%	\$ 160,000	\$ -	0%	\$ 160,000
Aspect	1	Water Supply Modeling	R. Hoffman	5/6/2020	N/A	2/14/2025	65%	\$ 24,900	\$ 16,196	65%	\$ 8,704
Aspect	2	Water Resources Services	R. Hoffman	8/17/2018	N/A	2/14/2025	98%	\$ 60,000	\$ 58,251	97%	\$ 1,749
Aspect	3	Climate Change Analysis	R. Hoffman	9/7/2022	N/A	2/14/2025	95%	\$ 150,000	\$ 144,571	96%	\$ 5,429
Ben Bernstein Music	1	Podcast production	M. Brent	1/1/2025	12/31/2025	2/14/2025	0%	\$ 7,000	\$ 390	6%	\$ 6,610
BHC Consulting	1	Planning & Permit Assistance	T. Richmond	1/1/2024	12/31/2024	2/14/2025	50%	\$ 25,000	\$ 3,619	14%	\$ 21,381
Brilliant Marketing	1	We Need Water Social Media Outreach	M. Brent	1/1/2025	12/31/2025	2/14/2025	0%	\$ 55,000	\$ 9,923	18%	\$ 45,077
Catalyst Workplace	1	Office Furniture	C. Paulucci	12/12/2024	N/A	2/14/2025	60%	\$ 29,506	\$ 16,522	56%	\$ 12,984
Clark Nuber	1	Annual Financial Audit and Quarterly AUPs	C. Paulucci	1/1/2025	N/A	2/14/2025	0%	\$ 89,200	\$ -	0%	\$ 89,200
Colehour and Cohen	1	Staffing for classes and events	M. Brent	1/1/2025	12/31/2025	2/14/2025	70%	\$ 116,065	\$ 10,641	9%	\$ 105,424
Confluence Engineering Group, LLC	1	Lake Tapps Supply & BIP Water Quality Advisory Services Project	D. Roberts	12/1/2023	N/A	2/14/2025	35%	\$ 49,000	\$ 21,062	43%	\$ 27,938
Confluence Engineering Group, LLC	2	Water Quality Blending Study	M. Thung	12/5/2004	N/A	2/14/2025	10%	\$ 230,000	\$ 18,432	8%	\$ 211,569
David Evans	1	On-call Land Surveyor	H. Chen	11/18/2022	12/31/2025	2/14/2025	30%	\$ 160,000	\$ 52,920	33%	\$ 107,080
David McGrath	1	Irrigation Program Assistance	M. Brent	1/25/2025	12/31/2025	2/14/2025	0%	\$ 20,000	\$ -	0%	\$ 20,000
Environmental Science Assoc (ESA)	1	Aquatic Plant Management	P. Anderson	1/1/2025	12/31/2025	2/14/2025	0%	\$ 49,000	\$ -	0%	\$ 49,000
Environmental Science Assoc (ESA)	2	Development of Cascade's Integrated Aquatic Plant Management Plan	P. Anderson	3/20/2024	N/A	2/14/2025	60%	\$ 44,750	\$ 23,735	53%	\$ 21,015
GeoEngineers	1	Dam Engineering/Hydrology/ Geotechnical Service	H. Chen	1/3/2024	12/31/2026	2/14/2025	50%	\$ 570,000	\$ 49,974	9%	\$ 520,026
Gordon Thomas Honeywell	1	State legislative outreach	A. Bennett	1/1/2025	12/31/2025	2/14/2025	0%	\$ 84,000	\$ 7,000	8%	\$ 77,000
Herrera	1	On-call limnology services	M. Thung	12/1/2022	12/31/2025	2/14/2025	5%	\$ 45,000	\$ -	0%	\$ -
Herrera	2	Water Quality Management Plan	M. Thung	10/9/2023	12/31/2024	2/14/2025	65%	\$ 165,000	\$ 149,409	91%	\$ 15,591
Herrera	3	On-Call Water Supply Modeling Services	M. Thung	11/4/2024	12/31/2027	2/14/2025	0%	\$ 40,000	\$ -	0%	\$ 40,000
HDR	1	MMD Fish Passage Design Review	H. Chen	12/1/2015	N/A	2/14/2025	99%	\$ 1,291,100	\$ 1,249,097	97%	\$ 42,003
Jacobs Engineering Group	1	Demand Forecast Model Support Services	M. Thung	8/20/2021	N/A	2/14/2025	5%	\$ 5,000	\$ 5,000	100%	\$ -
Jennergy	1	Website Maintenance	M. Brent	1/1/2025	12/31/2025	2/14/2025	0%	\$ 25,000	\$ 3,050	12%	\$ 21,950
Jon Shimada	1	On-Call Project Support Services	M. Thung	4/8/2024	12/31/2025	2/14/2025	0%	\$ 35,000	\$ 3,000	9%	\$ 32,000
Langton Spieth	1	Community relations	A. Bennett	1/1/2025	12/31/2025	2/14/2025	0%	\$ 78,000	\$ 6,500	8%	\$ 71,500
Long Building Tech	1	Security Maintenance	H. Chen	6/1/2023	12/31/2024	2/14/2025	35%	\$ 120,000	\$ 79,467	66%	\$ 40,533
Marketplace Events	1	Northwest Flower and Garden Show	M. Brent	1/1/2025	12/31/2025	2/14/2025	0%	\$ 20,000	\$ 20,000	100%	\$ -
Nature Vision	1	Classroom Water Education	M. Brent	1/1/2025	12/31/2025	2/14/2025	0%	\$ 105,000	\$ 11,427	11%	\$ 93,573
Okamoto Strategies, LLC	1	Capital Projects and Strategic Planning	H. Chen	6/21/2023	N/A	2/14/2025	25%	\$ 25,000	\$ 5,569	22%	\$ 19,431
Pacifica Law	1	Legal Assistance	H. Chen	1/1/2025	12/31/2025	2/14/2025	0%	\$ 25,000	\$ -	0%	\$ 25,000
Parametrix	1	On Call Civ/Mech/Structural Eng	H. Chen	1/1/2023	12/31/2025	2/14/2025	38%	\$ 550,000	\$ 199,532	36%	\$ 350,468
Puget Sound Energy	1	Water Efficiency Rebates	M. Brent	1/1/2025	12/31/2025	2/14/2025	0%	\$ 120,000	\$ -	0%	\$ 120,000
Rainier Stillwater Risk Advisors	1	Trespassing Management	M. Thung	12/14/2023	12/31/2024	2/14/2025	85%	\$ 33,000	\$ 27,000	82%	\$ 6,000
RH2	2	On-Call Electrical Engineering Svcs	H. Chen	1/1/2024	4/30/2025	2/14/2025	60%	\$ 133,750	\$ 133,592	100%	\$ 158
RH2	3	Wholesale Master Meter Eval	H. Chen	1/21/2020	3/31/2023	2/14/2025	8%	\$ 24,500	\$ 1,342	5%	\$ 23,158
Robinson Noble	1	Water Audits	E. Cebon	10/3/2019	N/A	2/14/2025	85%	\$ 135,060	\$ 115,183	85%	\$ 19,877
Sammamish Plateau Water	1	GIS support services	H. Chen	12/6/2022	N/A	2/14/2025	48%	\$ 50,000	\$ 31,352	63%	\$ 18,648
Sazan	1	On-call value analysis/engineering	J. Shimada	10/23/2023	10/23/2025	2/14/2025	30%	\$ 250,000	\$ 73,371	29%	\$ 176,629
SC Words & Pictures Inc.	1	Design Services	A. Bennett	1/1/2025	12/31/2025	2/14/2025	0%	\$ 25,000	\$ -	0%	\$ 25,000
Seattle Public Utilities	1	Garden Hotline	M. Brent	1/1/2025	12/31/2025	2/14/2025	0%	\$ 16,700	\$ -	0%	\$ 16,700
SMC Consulting	1	Water Efficiency Consultant	M. Brent	1/1/2025	12/31/2025	2/14/2025	0%	\$ 28,500	\$ 1,615	6%	\$ 26,885

Sustainable Water	1	Teacher Fellows program	M. Brent	1/1/2025	12/31/2025	2/14/2025	0%	\$ 60,000	\$ -	0%	\$ 60,000
Tacoma Pierce County Health Department	1	TappsWise Monitoring at Lake Tapps	A. Bennett	1/1/2025	12/31/2025	2/14/2025	0%	\$ 140,000	\$ -	0%	\$ 140,000
TeamLogic IT	1	Info Technology Consulting	C. Paulucci	1/1/2025	12/31/2025	2/14/2025	0%	\$ 138,700	\$ 8,434	6%	\$ 130,266
TechniArt	1	Conservation Website Order page	M. Brent	1/1/2025	12/31/2025	2/14/2025	0%	\$ 17,000	\$ -	0%	\$ 17,000
Tetra Tech	1	AWIA 2025-2026 Updates	M. Thung	12/9/2024	12/31/2026	2/14/2025	0%	\$ 350,000	\$ -	0%	\$ 350,000
Tilth Association	1	Garden Water Efficiency	M. Brent	1/1/2025	12/31/2025	2/14/2025	0%	\$ 48,000	\$ -	0%	\$ 48,000
Transpo Group	1	On-Call GIS Support	H. Chen	1/1/2025	12/31/2025	2/14/2025	0%	\$ 49,000	\$ 8,558	17%	\$ 40,443
Upstream PBC	2	HydroForecast Subscription Service	M. Thung	10/1/2024	9/30/2025	2/14/2025	25%	\$ 23,500	\$ 23,500	100%	\$ -
USGS	1	Joint Funding Agre-Streamgaging	H. Chen	1/1/2025	12/31/2025	2/14/2025	25%	\$ 302,370	\$ -	0%	\$ 302,370
Vanir Construction Management, Inc.	1	On-call Construction Management	J. Shimada	5/1/2021	12/31/2024	2/14/2025	50%	\$ 560,000	\$ 336,217	60%	\$ 223,783
VanNess Feldman	1	General Counsel	R. Hoffman	1/1/2025	12/31/2025	2/14/2025	0%	\$ 850,000	\$ 68,510	8%	\$ 781,490
Veolia	1	White River-Lake Tapps Reservoir Project Operations and Maintenance Agreement \$2,328,918 fixed, \$325,000 variable	J. Shimada	1/1/2025	12/31/2025	2/14/2025	0%	\$ 2,653,918	\$ -	0%	\$ 2,653,918
Water Value	1	Climate Study Advisory Services	M. Thung	6/16/2022	7/1/2025	2/14/2025	75%	\$ 22,500	\$ 12,345	55%	\$ 10,155

**Closed Contracts**

Vendor	Closed contract number	Contract title	Cascade manager	Effective Date	End date	Status date	Percent work completed	Contract amount, including amendments	Amount invoiced	Percent invoiced	Contract balance

Payment Authorization Warrants and Wire Transfers 2/26/25

Attachment 5

**WHOLESALE WATER**

WIRE	Seattle Contract Payment 2/25	\$1,227,822.00
		<u>\$1,227,822.00</u>

**CONSULTANTS**

32117	Jacobs Engineering Group Inc	\$5,000.00
32120	Parametrix	\$9,845.68
32125	Tacoma Pierce County Health Department	\$7,891.07
32126	TeamLogic IT of Bellevue, WA	\$20,453.90
32128	Transpo Group	\$307.50
32130	Van Ness Feldman, LLP	\$52,048.75
32141	RH2 Engineering, Inc.	\$28,772.51
32151	US Geological Survey (USGS)	\$87,417.50
32154	Environmental Science Associates (ESA)	\$424.00
32155	Herrera	\$18,444.08
32157	Langton Public Affairs LLC	\$6,500.00
32168	City of Bellevue	\$32,893.21
32174	Confluence Engineering Group, LLC	\$18,431.50
32178	Gordon Thomas Honeywell Govern. Affairs	\$7,000.00
32182	Langton Public Affairs LLC	\$6,500.00
32194	TeamLogic IT of Bellevue, WA	\$8,434.37
32195	Transpo Group	\$8,557.50
32198	Van Ness Feldman, LLP	\$68,510.00
		<u>\$387,431.57</u>

**SALARY, BENEFITS AND EXPENSE REIMBURSEMENTS**

	Payroll (January)	
32134	AWC Employee Benefit Trust	\$27,835.18
32138	Paula Anderson	\$157.24
32144	MissionSquare-107080	\$51,303.03
32145	MissionSquare-304525	\$21,660.97
32153	James Amspacher	\$811.08
32156	HRA VEBA Trust	\$2,772.00
32176	Paula Anderson	\$20.77
		<u>\$104,560.27</u>

**CONSERVATION**

32116	Colehour & Cohen	\$10,289.14
32121	Tilth Alliance	\$3,166.86
32127	Techniart C S D	\$946.43
32147	Ben Bernstein Music	\$390.00
32152	Ed Hume Seeds	\$1,260.00
32158	Lisa Taylor	\$400.00
32159	New Resources Group, Inc.	\$804.50
32160	Puget Sound Energy	\$3,637.50
32161	SMC Consulting LLC	\$1,615.00
32169	BRILLIANT MARKETING LLC	\$9,922.59
32173	Colehour & Cohen	\$10,641.13
32180	Jennergy	\$3,050.00
32185	Makarinos Communications	\$500.00
32186	Marianne Binetti	\$1,500.00
32187	Nature Vision, Inc.	\$11,426.57
		<u>\$59,549.72</u>

**SOFTWARE AND EQUIPMENT**

32133	Abila	\$292.04
32146	Access Telephone Solutions, Inc.	\$852.95
		<u>\$1,144.99</u>

**GENERAL**

32122	spot-on print & design	\$158.60
32123	State Auditor's Office	\$4,381.65
32129	U.S. BANK	\$12,410.63
32135	AT&T FirstNet	\$494.57
32136	Bellevue Gateway One Equities, LLC	\$32,175.93
32137	Comcast	\$1,977.79
32140	Pacific Office Automation	\$298.41
32142	spot-on print & design	\$385.70
32148	Cintas Corporation	\$7.83
32149	Comcast	\$585.66
32150	Daily Journal of Commerce	\$161.65
32162	Staples Advantage	\$2,272.61
32167	American Water Works Association	\$4,720.00
32170	Cintas Corporation	\$158.18
32171	CIT	\$150.08
32172	CLEARFLY	\$1,109.75
32175	Covington Water District	\$93.00
32181	Greater Kirkland Chamber of Commerce	\$425.00
32188	Pacific Office Automation Inc.	\$100.89
32189	Pacific Office Automation, Inc.	\$311.22
32190	Pacific Office Automation	\$76.53
32191	Pacific Office Automation	\$298.41
32196	U.S. BANK	\$7,257.47
32197	Utilities Underground Location Center	\$36.45
32199	Verizon Wireless	\$135.03
32200	Washington Association of Sewer & Water I	\$900.00
		<u>\$71,083.04</u>

**LAKE TAPPS**

32115	Certified Hydraulics	\$2,808.63
32118	Johansen Construction Company, Inc.	\$956.75
32119	Linde Gas & Equipment Inc.	\$1,219.40
32124	Sunstate Equipment Co.	\$2,906.04
32131	Veolia Water North America	\$741,807.37
32139	Heidelberg Materials	\$148.09
32143	Veolia Water North America	\$184,711.81
32163	SYBIS LLC	\$865.87
32164	Tracy Farman	\$1,000.00
32177	FloHawks Plumbing & Septic	\$614.65
32179	Heidelberg Materials	\$641.97
32183	Linde Gas & Equipment Inc.	\$697.27
32184	LONG Building Technologies, Inc.	\$747.89
32192	Puget Sound Energy	\$2,856.72
32193	Sunstate Equipment Co.	\$2,741.79
		<u>\$944,724.25</u>

**CONSTRUCTION**

32114	HDR	\$45,802.45
32132	Vanir Construction Management Inc.	\$24,571.76
32165	HDR	\$25,121.29
32166	Vanir Construction Management Inc.	\$33,147.42
		<u>\$128,642.92</u>

**DESTROYED AND VOIDED CHECKS:**

<b>Total Warrants</b>	\$1,697,136.76
<b>Total Wires</b>	\$1,227,822.00
<b>Total warrants/wire transfers authorized for February 2025</b>	<u><b>\$2,924,958.76</b></u>

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
 Andy Baker, Chief Economist

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
 Mayor Mary Lou Pauly, Secretary/Treasurer

**Cascade Water Alliance  
Monthly Treasurer's Report  
January 2025**

	Operating Fund	Construction Fund	Bond Fund	RCFC Fund	Water Supply Development Fund	Rate Stabilization Fund	US Bank Payroll Account	All Funds
<b>Beginning Balances, January 1</b>	<b>\$ 11,033,969</b>	<b>\$ 19,031,350</b>	<b>\$ 10,841,562</b>	<b>\$ -</b>	<b>\$ 13,749,161</b>	<b>\$ 2,461,463</b>	<b>\$ -</b>	<b>\$ 57,117,505</b>
<b>Additions:</b>								
Cash received	\$ 4,543,635	\$ 70,955	\$ 29,324	\$ -	\$ 42,034	\$ 9,090	\$ -	\$ 4,695,038
Transfers from other Cascade funds	\$ 5,000,000	\$ -	\$ 237,533	\$ -	\$ -	\$ -	\$ 180,704	\$ 5,418,237
<b>Total additions</b>	<b>\$ 9,543,635</b>	<b>\$ 70,955</b>	<b>\$ 266,857</b>	<b>\$ -</b>	<b>\$ 42,034</b>	<b>\$ 9,090</b>	<b>\$ 180,704</b>	<b>\$ 10,113,275</b>
<b>Subtractions:</b>								
Bank fees, payroll, and bond payments	\$ 1,130	\$ 1,390	\$ 2,730,673	\$ -	\$ 4,000	\$ 178	\$ 180,704	\$ 2,918,075
Warrants paid	\$ 561,561	\$ 24,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 586,132
Wire and other electronic payments	\$ -	\$ 7,759,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,759,169
King Co. Investment Pool impairment (realized)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
King Co. Investment Pool impairment (retained)	\$ (40)	\$ (34)	\$ (18)	\$ -	\$ -	\$ (5)	\$ -	\$ (97)
Transfers to other Cascade funds	\$ 418,237	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,418,237
<b>Total subtractions</b>	<b>\$ 980,888</b>	<b>\$ 12,785,097</b>	<b>\$ 2,730,654</b>	<b>\$ -</b>	<b>\$ 4,000</b>	<b>\$ 173</b>	<b>\$ 180,704</b>	<b>\$ 16,681,516</b>
<b>Ending Balances, January 31, 2025</b>	<b>\$ 19,596,717</b>	<b>\$ 6,317,207</b>	<b>\$ 8,377,764</b>	<b>\$ -</b>	<b>\$ 13,787,196</b>	<b>\$ 2,470,380</b>	<b>\$ -</b>	<b>\$ 50,549,264</b>



# Cascade's 2024 Achievements

2024 Priorities	2024 Achievements
<ol style="list-style-type: none"> <li>1. Complete negotiations for a block contract extension with Seattle or a new supply contract with Tacoma to defer developing Lake Tapps.</li> <li>2. Implement the Headworks Intake Modification Project (Phase 3) with the US Army Corps of Engineers and perform maintenance projects during the flowline outage.</li> <li>3. Finalize the climate change impacts analysis and drinking water quality management plan.</li> <li>4. Develop and receive Board approval of the 2025-2026 budget and rate proposals.</li> </ol>	<ol style="list-style-type: none"> <li>1. Received Board direction in May to pursue supply contracts with Tacoma; contract development was well under way by year-end.</li> <li>2. Started the Headworks Intake Modification Project; successfully completed the flowline outage projects.</li> <li>3. Made significant progress on the climate change and water quality plans; expect to complete both in the first half of 2025.</li> <li>4. Adopted the 2025-2026 budget and rates.</li> </ol>

<b>FOCUS AREA 1: ASSET MANAGEMENT</b> <b>GOAL: Optimize Cascade's assets to support current and future needs.</b>				
Strategies	2024 Work Plan Actions	2024 Achievements	Performance Measures (based on Strategies)	Performance Targets and 2022-2024 Achieved
A. Implement strategies and make investments to protect the Lake Tapps Reservoir as a future drinking water supply.	<ol style="list-style-type: none"> <li>1. Make progress on the following projects:                             <ol style="list-style-type: none"> <li>a. Headworks Intake Modifications (Phase 3) and Flowline Outage</li> <li>b. Valve House System Control Rehabilitation</li> <li>c. Valve House Valve 1 Rehabilitation</li> <li>d. Fish Screen Crane Improvements</li> <li>e. Fish Screen Facility Hydraulic System Improvements</li> <li>f. Dikes 9&amp;10 Improvements Design</li> <li>g. Dingle Basin Valve Actuators Replacement</li> </ol> </li> <li>2. Update the 10-year Integrated Aquatic Vegetation Management Plan (IAVMP).</li> <li>3. Develop a Trespassing Management Plan.</li> </ol>	<ol style="list-style-type: none"> <li>1. Completed or made progress on six projects:                             <ol style="list-style-type: none"> <li>a. Started Phase 3 and successfully completed the Flowline Outage</li> <li>b. Completed</li> <li>c. Completed</li> <li>d. Completed</li> <li>e. Deferred</li> <li>f. In progress</li> <li>g. Completed</li> </ol> </li> <li>2. Will complete the IAVMP January 2025.</li> <li>3. Completed the Trespassing Management Plan.</li> </ol>	% of annual CIP expenses compared to budgeted amounts (excluding Capital Risk).	<u>Target:</u> 80%  <u>Achieved:</u> 2022: 89.0% 2023: 65.1% (due to USACE's delay of the Headworks Intake Modifications project) 2024: 93%
B. Use baseline water quality information to evaluate how future drinking water from the Lake Tapps Reservoir will meet water quality regulatory	<ol style="list-style-type: none"> <li>4. Complete the Water Quality Management Plan.</li> <li>5. Implement the annual milfoil treatment program, including a pilot program that allows HOAs and homeowners to pay for treatment.</li> </ol>	<ol style="list-style-type: none"> <li>4. Will complete the Water Quality Management Plan by Q2 2025.</li> <li>5. Completed the 2024 milfoil treatment program and pilot.</li> <li>6. Met with Pierce County Planning and Public Works to discuss water quality</li> </ol>	Compliance with water quality regulations and requirements.	<u>Target:</u> 100%  <u>Achieved:</u> 2022: 100% 2023: 100% 2024: 100%

standards and regional expectations	6. Monitor opportunities to engage in local government planning/stormwater activities that benefit water quality.	improvement opportunities. Reviewed proposed developments and stormwater infrastructure. Monitored and reviewed Pierce County Comprehensive Plan Update.		
C. Maximize Cascade’s assets to generate other sources of revenue or benefits.	7. Explore revenue generating opportunities, such as: <ul style="list-style-type: none"> <li>• Compensation for commercial use of Cascade’s property</li> <li>• Property and property rights sales</li> <li>• Enhanced investment strategy</li> </ul>	7. Amended the transmission easement with BrightNight, increasing the potential compensation to \$1.29M. Received additional temporary water revenue.	Amount of annual revenue generated by new sources.	<u>Target:</u> > \$0  <u>Achieved:</u> 2022: \$25K transmission easement; \$85K temporary water sales 2023: \$64K temporary water sales 2024: \$58.5K temporary water sales; transmission easement amendment increased the potential compensation to \$1.29M

<b>FOCUS AREA 2: WATER RESOURCES</b> <b>GOAL: Ensure flexibility, certainty and resiliency of Cascade’s future drinking water supply for the region.</b>				
Strategic Plan Strategies	2024 Work Plan Actions	2024 Achievements	Performance Measures (based on Strategies)	Performance Targets and 2022-2024 Achieved
D. Delay capital costs in developing the Lake Tapps Reservoir as a municipal water supply by purchasing water from other regional suppliers and utilizing reclaimed water, independent supplies, and other water sources.	8. Support the Board in its decision-making process on the supply contract. Upon receiving Board direction, complete negotiations for a block contract extension with Seattle or a new supply contract with Tacoma to defer developing Lake Tapps. 9. Resume work on the Water System Plan (WSP) and seek an extension from Department of Health (DOH).	8. Received Board direction in May to pursue supply contracts with Tacoma; new contracts are expected to be finalized in Q1 2025. 9. Began developing a “limited updated” Water System Plan (WSP) to be submitted by mid-2025; received DOH approval to defer submittal of the 10-year WSP until 2028 .	Savings from deferring development of the Lake Tapps Reservoir.	<u>Target:</u> Positive net present value  <u>Achieved:</u> Estimated net present value of contracting with Tacoma is estimated at \$300M compared to developing Lake Tapps by 2042
E. Develop strategies to address current and future drinking water quality issues to assist members in maintaining independent supplies.	10. Track PFAS legislation and rulemaking at the federal and state levels and support members as needed.	10. Provided members with PFAS support letters as needed. Advocated for PFAS exemption for water utilities.	Amount of available independent supplies from members.	<u>Target:</u> Status quo or increasing  <u>Achieved:</u> 2021: Status quo 2023: Status quo 2024: Status Quo
F. Collaborate with members and other utilities to implement actions that	11. Begin implementing actions to better prepare for an emergency for the Bellevue-Issaquah	11. No activities in 2024.	Number of actions taken that help improve	<u>Target:</u> One or more actions  <u>Achieved:</u>



improve the region's resiliency for seismic events and other major disruptions impacting water supply delivery.	<p>Pipeline (BIP), such as purchasing materials and spare parts.</p> <p>12. Continue to lead the Water Supply Forum in implementing regional emergency response actions, including a regional tabletop exercise.</p>	12. Led the procurement of two emergency management contracts for the Water Supply Forum.	regional resiliency.	<p>2022: Three member workshops on BIP emergency response</p> <p>2023: BIP Emergency Response and Flushing Plans completed; one regional emergency response workshop for the Water Supply Forum</p> <p>2024: Two emergency management contracts procured for the Water Supply Forum</p>
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<p style="text-align: center;"><b>FOCUS AREA 3: ENVIRONMENTAL STEWARDSHIP</b></p> <p style="text-align: center;"><b>Goal: Protect the natural environment by advancing water resource stewardship and sustainable business practices.</b></p>				
Strategic Plan Strategies	2024 Work Plan Actions	2024 Achievements	Performance Measures (based on Strategies)	Performance Targets and 2022-2024 Achieved
G. Contribute to regional activities that reduce water demand, including peak season demand, to conserve and more efficiently use water sources.	<p>13. Integrate Cascade's water efficiency programs with members' activities to achieve Cascade's objectives while providing greater value to members by assisting in their sustainability, climate action, and stormwater management plans.</p> <p>14. Develop pilot programs, such as Turf Removal and Flume home water use monitoring, to find additional ways to help reduce peak season demand.</p>	<p>13. Provided many Cascade Gardener classes that emphasized the importance of stormwater management in landscape design and maintenance. PBL4WS program aligned their efforts with members' climate action plans. Provided irrigation training for member staff.</p> <p>14. Developed framework for Turf Out program, presented to committees and Board.</p>	Amount of water saved per day on an average annual basis.	<p><u>Target:</u> Total cumulative savings of 0.5 MGD by 12/31/2024</p> <p><u>Achieved:</u> 2022: 11,553 GPD saved 2023: 21,446 GPD saved 2024: 57,000 GPD saved</p>
H. Enhance education and outreach activities to enable residents, businesses, schools and public agencies to take action to protect and preserve natural water resources.	<p>13. Continue to enhance Cascade's education programs, such as developing additional water-related curriculum.</p> <p>14. Continue to conduct community outreach and provide services in member service areas regarding water resource stewardship, such as the Northwest Flower and Garden Festival and Cascade Gardener.</p> <p>15. Continue the TappsWise program focusing on natural yard care, septic system deficiencies</p>	15. Continued to deliver top-quality school programs. Funded a water bottle filling station project at Issaquah High School and provided We Need Water bottles for Issaquah students who pledged to avoid using single-use plastic bottles. Provided three series of sustainable landscaping/ gardening classes, garden tours, nursery classes.	<ul style="list-style-type: none"> <li>▪ Number of students reached via presentations.</li> <li>▪ Number of Cascade Gardener attendees.</li> </ul>	<p><u>Target (Students):</u> &gt; 8,000 students</p> <p><u>Achieved (Students):</u> 2022: 12,882 2023: 13,225 2024: 12,610</p> <p><u>Target (Cascade Gardener):</u> &gt; 2,000 attendees</p>

	follow-up, and water quality for the Lake Tapps Reservoir.	16. Sponsored Bellevue Family 4 <sup>th</sup> , Kirkland Concert Series, Issaquah Salmon Days, Salmon on Sunset, Redmond Derby Days, Sammamish Jubilee Event, Skyway Health and Wellness Fair, Kirkland City Hall for All, and NW Flower & Garden Festival. Continued to partner with Tacoma-Pierce County Health Department on the TappsWise program to support water quality education at the Lake Tapps Reservoir.		<u>Achieved (Cascade Gardener):</u> 2022: 1,505 2023: 3,060 2024: 2,557
I. Sustainably manage Cascade’s facilities, equipment, assets and capital projects in a way that minimizes impacts on the natural environment.	17. Monitor the solar power system and utility bills for the powerhouse to determine consistency with energy production and cost-savings estimates.	18. Produced more kilowatts of energy than the amount used by the powerhouse, for an estimated savings of \$10,000.	Amount of water and/or energy saved by implementing resource-efficient actions.	<u>Target:</u> Savings increase over prior year.  <u>Achieved:</u> 2022: N/A 2023: \$10,000 estimated savings 2024: \$10,000 estimated savings
J. Identify changing environmental conditions, such as climate change, and develop strategies to mitigate impacts.	19. Complete the climate change impacts study for inclusion in the Water System Plan.	19. Made good progress on the climate change impacts study, which will be completed by Q2 2025.	N/A	N/A

## FOCUS AREA 4: REGIONAL LEADERSHIP

**GOAL: Lead, influence and serve as a convener on regional water-related issues and proactively maintain strong relationships to achieve the priorities of Cascade and its members.**

Strategic Plan Strategies	2024 Work Plan Actions	2024 Achievements	Performance Measures (based on Strategies)	Performance Targets and 2022-2024 Achieved
K. Advance Cascade’s legislative interests to achieve Cascade’s overall mission.	20. Establish and implement a legislative agenda.	20. Implemented the 2024 legislative agenda and continued to foster relationships at all governmental levels to further Cascade and members’ interests	N/A	N/A
L. Maintain trust and a good working relationship with Cascade’s member communities and Lake Tapps partners.	21. Convene community meetings with the Lake Tapps Community, Tribes, and the Four Cities. 22. Sponsor events and activities in the Lake Tapps and member communities.	21. Met in person with the Lake Tapps Community on June 6. Met monthly with the Tribes via the White River Management Agreement meetings. 22. In addition to the member events mentioned under <i>Environmental Stewardship</i> , sponsored Leadership Eastside Mayors Luncheon, Beautify Bonney Lake and partnered with East Pierce Fire and Rescue on Swimsafe outreach.	Number of community meetings held.	<u>Target:</u> One meeting each with Lake Tapp Community and Four Cities  <u>Achieved:</u> 2022: Met with both groups 2023: Met with both groups 2024: Met with the Lake Tapps Community
M. Participate in water-related issues at the regional, state, national and industry levels.	23. Continue to participate in the Water Supply Forum on regional water issues. 24. Plan and implement Cascade’s 25 <sup>th</sup> Anniversary Celebration.	23. Led activities to improve preparation for and response to major regional emergencies for the Water Supply Forum. 24. Successfully implemented Cascade’s 25 <sup>th</sup> Anniversary Celebration; approximately 200 people attended.	Number regional, state, national or industry issues/venues Cascade engaged in.	<u>Target:</u> One or more venues  <u>Achieved:</u> 2022: Water Supply Forum; Aspen-Nicholas 2023: Water Supply Forum 2024: Water Supply Forum; Cascade’s 25-year Anniversary Celebration; Presented at PNWS-AWWA and engaged with national AWWA committees
N. Look for opportunities to partner with regional entities that have shared objectives.			N/A	N/A

## FOCUS AREA 5: GOOD GOVERNANCE

**GOAL: Provide the most cost-effective services possible through Cascade’s governance model of a small, efficient, and nimble organization with engaged members and Board of Directors.**

Strategic Plan Strategies	2024 Work Plan Actions	2024 Achievements	Performance Measures (based on Strategies)	Performance Targets and 2022-2024 Achieved
O. Ensure continued strong engagement with current and new Board members.	25. Provide monthly member updates. 26. On-board new Board members and alternates, including offering tours of the White River-Lake Tapps Reservoir system. 27. Provide individual briefings to Board members and alternates as requested and as needed.	25. Provided updates to members each month. 26. Onboarded new Board Members for Bellevue and Tukwila and Alternates from Redmond and Tukwila; provided tours to new Board members and Alternates. 27. At member staff's request, met with member staff throughout the year to help them brief their Board members and Alternates.	Number of monthly member updates sent.	<u>Target:</u> 12  <u>Achieved:</u> 2022: 12 2023: 12 2024: 12
P. Strengthen the relationship between Cascade and members' councils, commissions, and other elected officials.	28. Offer presentations to members' councils, commissions, and other elected or appointed officials on the water supply contract negotiations and other topics of interest.	28. Presented the wholesale supply proposals from Tacoma and Seattle to all members' elected bodies; presented Cascade's proposed budget and rates to Bellevue's City Council.	Number of presentations to members' elected bodies.	<u>Target:</u> Two or more  <u>Achieved:</u> 2022: Five budget and rates presentations 2023: Zero (none were requested ) 2024: Seven supply contracts presentations; One budget presentation
Q. Expand Cascade's unique business model to new issues to deliver services more efficiently and cost-effectively.	29. Offer assistance to members on reviewing their rate structures with respect to affordability and peak demand.	30. No members requested assistance.	N/A	N/A
R. Support the Board in updating Cascade's mission, vision, and long-range goals to guide the development of future strategic plans.	31. Engage the Board in discussions on climate change adaptation strategies and water quality impacts on the Lake Tapps Reservoir.	31. Provided updates to the Resource Management Committee on water quality issues.	Number of Strategic Plan Strategies achieved each year.	<u>Target:</u> 90% (19 of 21 Strategies in 2020-2024 Plan)  <u>Achieved:</u> 2022: 95% 2023: 90% 2024: 90%
<i>Additional Good Governance actions that aren't associated with specific Strategic Plan Strategies.</i>	32. Develop and gain Board approval of the 2025-2026 budget and rate proposals. 33. Complete the financial and accountability audits on time.	32. Adopted the 2025-2026 budget and rates which included costs to begin working on the Tacoma-Cascade Pipeline (TCP) Program. 33. Completed the financial and accountability audits that resulted in clean audits and no findings.	Number of material audit findings.	<u>Target:</u> 0  <u>Achieved:</u> 2022: 0 2023: 0 2024: 0

## FOCUS AREA 6: EMERGING ISSUES

**GOAL: Support members in addressing emergent priority issues while maintaining accountability to ratepayers.**

Strategic Plan Strategies	2024 Work Plan Actions	2024 Achievements	Performance Measures (based on Strategies)	Performance Targets and 2022-2024 Achieved
S. Engage in strategies to address affordability in water-related services.	34. Support proposed state legislation regarding water affordability funding and programs.	34. Advocated for continued funding for the state Connecting Housing to Infrastructure Program and supported streamlining the program. Supported the development and state funding of a low-income household water assistance program (ongoing).	Number of activities or efforts to address affordability.	<u>Target:</u> One or more  <u>Achieved:</u> 2022: Participated in Aspen-Nicholas Water Forum 2023: Supported utility connection charge legislation and worked with utilities on several affordability activities 2024: Participated on national AWWA subcommittee on rate affordability
T. Support members in working with regulators and other government agencies to achieve members' goals.	35. Continue to advocate members' interests with Seattle, King County, Washington State Department of Transportation, Washington State Department of Health, Washington State Department of Ecology, and other governmental agencies on issues such as PFAS monitoring. 36. Begin design on the Lewis Creek Crossing/BIP relocation project as part of WSDOT's culvert improvement project.	35. Worked with SPU to ensure members had the most up-to-date information regarding SPU's non-regulated PFAS detections. Met with SPU and DOH regarding sampling locations, sampling results, effects on human health if any, next steps and messaging concerns from members. Ensured members had information regarding PFAS rule adoption by federal and state agencies. 36. Delayed – expect to begin design in 2025.	N/A	N/A
U. Provide analysis on emergent issues to enable the Board to make informed decisions and guide Cascade's work.	37. Continue to address reclaimed water through the process established under Agreement to Coordinate Reclaimed Water.	37. Continued to meet with stakeholders on reclaimed water issues and engaged with King County reclaimed water issues through draft policies and Cascade members on the RWQC. Reached out to King County to reconvene the process.	N/A	N/A

### Additional 2024 Achievements

In addition to the 2024 Work Plan achievements listed on the preceding pages, the following are other notable achievements for the year:

Strategic Plan Focus Area	2024 Achievements
Focus Area 1: Asset Management	<ul style="list-style-type: none"> <li>• Upgraded 50 feet of the Dike 11 ecology block wall to protect the dike from wave and wind action.</li> <li>• Collaborated with the Cybersecurity and Infrastructure Security Agency (CISA) to improve Cascade’s IT infrastructure.</li> <li>• Completed the Valve House Stairs project to improve access to the Valve House chambers.</li> <li>• Completed the Valve House and Pipeline Intake Battery and Charger / Inverter Replacement project.</li> <li>• Continued to make improvements to SCADA and security, including new web-based software to allow for secure SCADA access remotely and with unlimited users.</li> </ul>
Focus Area 2: Water Resources	<ul style="list-style-type: none"> <li>• Initiated planning for the Tacoma-Cascade Pipeline Project, including hosting a consultant information session.</li> </ul>
Focus Area 3: Environmental Stewardship	<ul style="list-style-type: none"> <li>• Led Cascade in its first sponsorship of Container Wars at the Northwest Flower and Garden Show.</li> <li>• Continued to build a strong presence on Cascade’s social media platforms which promotes Cascade as a leader and provides valuable information to member residents. This year included hundreds of posts, eight new podcasts, collaboration with members and partners, and approximately 640,000 engagements.</li> <li>• Expanded our partnership rebates with Puget Sound Energy to include hundreds of new installations for water efficient fixtures in multifamily properties.</li> </ul>
Focus Area 5: Good Governance	<ul style="list-style-type: none"> <li>• Submitted a proposal to the Department of Ecology and received a grant of \$75K for milfoil treatment.</li> </ul>
Focus Area 6: Emerging Issues	<ul style="list-style-type: none"> <li>• Supported members in their analysis of their interests in the Snoqualmie Aquifer.</li> </ul>



## Cascade's 2025 Work Plan

### 2025 Priorities:

- **Wholesale Supply Contracts.** Finalize and execute the two new wholesale supply contracts with Tacoma. Propose guidelines, for Board approval, on the Board's role in the contracts' five-year reviews and management agreements.
- **Tacoma-Cascade Pipeline (TCP) Program.**
  - Begin planning work for the TCP Program, including hiring consultants for program and engineering support services, an operations and flow allocation plan, franchise and right-of-way support services, and a facilities plan.
  - Complete a study to evaluate potential impacts of blending Seattle water and Tacoma water.
  - Develop a funding plan for the TCP Program.
- **Water System Plan.** Complete an abbreviated water system plan for submittal to the Department of Health. The Plan will cover a three-year period to allow Cascade to complete its TCP Facilities Plan prior to submitting a comprehensive 10-year water system plan.
- **Strategic Plan.** Develop the 2026-2030 Strategic Plan to guide Cascade's work over the next five years.
- **Headworks Intake Modifications Project.** Continue to work with the US Army Corps of Engineers to construct the Headworks Intake Modifications project (or Phase 3 of the Mud Mountain Dam Fish Passage Project) to improve how water is diverted from the White River to the Lake Tapps Reservoir.
- **Bellevue-Issaquah Pipeline (BIP) Relocation Project.** Begin design for the BIP relocation project. This project is being driven by a WSDOT project to improve fish passage along Lewis Creek.
- **Climate Change Impacts and Water Quality Studies.** Complete the Climate Change Impacts Study and Drinking Water Quality Management Plan and engage the Board on evaluating and implementing the recommendations from the final reports.
- **Turf Out.** Implement the new Turf Out program to incentivize people to remove and replace part of their lawns with drought tolerant and/or native plants to reduce outdoor water use.

## FOCUS AREA 1: ASSET MANAGEMENT

**GOAL: Optimize Cascade’s assets to support current and future needs.**

Strategies	2025 Work Plan Actions
A. Implement strategies and make investments to protect the Lake Tapps Reservoir as a future drinking water supply.	<ol style="list-style-type: none"> <li>1. Make progress on the following projects:                             <ol style="list-style-type: none"> <li>a. Headworks Intake Modifications (Phase 3)</li> <li>b. Dike 11 Toe Repairs</li> <li>c. Tunnel Intake Gate Replacement</li> <li>d. Penstocks Stabilization</li> <li>e. Dikes 9 &amp; 10 Improvements</li> </ol> </li> <li>2. Develop a 10-year O&amp;M and CIP plan for the White River-Lake Tapps Reservoir system to be used for financial and project planning.</li> <li>3. Develop a Request for Proposals scope of work for a new Contract Operator contract.</li> </ol>
B. Use baseline water quality information to evaluate how future drinking water from the Lake Tapps Reservoir will meet water quality regulatory standards and regional expectations.	<ol style="list-style-type: none"> <li>4. Complete the Water Quality Management Plan and receive Board direction on which recommendations to implement.</li> <li>5. Conduct annual milfoil treatment.</li> <li>6. Monitor opportunities to engage in local government planning/stormwater activities that benefit water quality.</li> </ol>
C. Maximize Cascade’s assets to generate other sources of revenue or benefits.	<ol style="list-style-type: none"> <li>7. Explore revenue generating opportunities, such as:                             <ul style="list-style-type: none"> <li>• Compensation for commercial use of Cascade’s property</li> <li>• Property and property rights sales</li> <li>• Enhanced investment strategy</li> </ul> </li> </ol>

## FOCUS AREA 2: WATER RESOURCES

**GOAL: Ensure flexibility, certainty, and resiliency of Cascade’s future drinking water supply for the region.**

Strategic Plan Strategies	2025 Work Plan Actions
D. Delay capital costs in developing the Lake Tapps Reservoir as a municipal water supply by purchasing water from other regional suppliers and utilizing reclaimed water, independent supplies, and other water sources.	<ol style="list-style-type: none"> <li>8. Finalize and execute two agreements for new supply with Tacoma that will enable Cascade to defer developing the Lake Tapps Reservoir.</li> <li>9. Begin planning work for the Tacoma-Cascade Pipeline Program.</li> <li>10. Complete a water quality study regarding blending Tacoma water and Seattle water.</li> <li>11. Finalize an abbreviated Water System Plan and submit to the Department of Health (DOH).</li> </ol>
E. Develop strategies to address current and future drinking water quality issues to assist members in maintaining independent supplies.	<ol style="list-style-type: none"> <li>12. Track PFAS legislation and rulemaking at the federal and state levels and support members as needed.</li> </ol>
F. Collaborate with members and other utilities to implement actions that improve the region’s resiliency for seismic events and other major disruptions impacting water supply delivery.	<ol style="list-style-type: none"> <li>13. Continue to lead the Water Supply Forum in implementing regional emergency response actions, including a regional tabletop exercise.</li> </ol>



### FOCUS AREA 3: ENVIRONMENTAL STEWARDSHIP

**Goal: Protect the natural environment by advancing water resource stewardship and sustainable business practices.**

Strategic Plan Strategies	2025 Work Plan Actions
G. Contribute to regional activities that reduce water demand, including peak season demand, to conserve and more efficiently use water sources.	<p>14. Integrate Cascade’s water efficiency programs with members’ activities to achieve Cascade’s objectives while providing greater value to members by assisting in their sustainability, climate action, and stormwater management plans.</p> <p>15. Collaborate with members to find additional ways to reduce peak season demand.</p>
H. Enhance education and outreach activities to enable residents, businesses, schools, and public agencies to take action to protect and preserve natural water resources.	<p>16. Implement the Turf Out program to incentivize people to remove and replace part of their lawns with drought tolerant and/or native plants to reduce outdoor water use.</p> <p>17. Continue to enhance Cascade’s education programs, such as developing additional water-related curriculum.</p> <p>18. Continue to conduct community outreach and provide services in member service areas regarding water resource stewardship, such as the Northwest Flower and Garden Festival and Cascade Gardener.</p> <p>19. Continue the TappsWise program focusing on natural yard care, septic system deficiencies follow-up, and water quality for the Lake Tapps Reservoir.</p>
I. Sustainably manage Cascade’s facilities, equipment, assets, and capital projects in a way that minimizes impacts on the natural environment.	<p>20. Monitor the solar power system and utility bills for the powerhouse to determine consistency with energy production and cost-savings estimates.</p>
J. Identify changing environmental conditions, such as climate change, and develop strategies to mitigate impacts.	<p>21. Complete the climate change impacts study and receive Board direction on next steps.</p>

## FOCUS AREA 4: REGIONAL LEADERSHIP

**GOAL: Lead, influence, and serve as a convener on regional water-related issues and proactively maintain strong relationships to achieve the priorities of Cascade and its members.**

Strategic Plan Strategies	2025 Work Plan Actions
K. Advance Cascade’s legislative interests to achieve Cascade’s overall mission.	22. Establish and implement a legislative agenda. 23. Track federal legislation and administrative actions that impact water utilities.
L. Maintain trust and a good working relationship with Cascade’s member communities and Lake Tapps partners.	24. Convene community meetings with the Lake Tapps Community, Tribes, and the Four Cities. 25. Sponsor events and activities in the Lake Tapps and member communities. 26. Implement an education campaign for new Lake Tapps residents.
M. Participate in water-related issues at the regional, state, national, and industry levels.	27. Continue to participate in the Water Supply Forum on regional water issues. 28. Continue to participate in the AWWA National Rates & Charges Committee on national issues. 29. Partner with Bonney Lake and Department of Ecology to explore opportunities to amend local shoreline management plans for the benefit of managing the Lake Tapps Reservoir.
N. Look for opportunities to partner with regional entities that have shared objectives.	

## FOCUS AREA 5: GOOD GOVERNANCE

**GOAL: Provide the most cost-effective services possible through Cascade’s governance model of a small, efficient, and nimble organization with engaged members and Board of Directors.**

Strategic Plan Strategies	2025 Work Plan Actions
O. Ensure continued strong engagement with current and new Board members.	30. Propose guidelines, for Board approval, on the Board’s role regarding the five-year reviews and management agreements for the two new wholesale supply contracts with Tacoma. 31. Provide monthly member updates. 32. On-board new Board members and alternates. 33. Provide individual briefings to Board members and alternates as requested and as needed.
P. Strengthen the relationship between Cascade and members’ councils, commissions, and other elected officials.	34. Offer presentations to members’ councils, commissions, and other elected or appointed officials on topics of interest. 35. Offer tours of the Lake Tapps Reservoir and other Cascade facilities.
Q. Expand Cascade’s unique business model to new issues to deliver services more efficiently and cost-effectively.	36. Assist members with contracting and funding to meet the EPA’s America’s Water Infrastructure Act requirements.
R. Support the Board in updating Cascade’s mission, vision, and long-range goals to guide the development of future strategic plans.	37. Develop the 2026-2030 Strategic Plan. 38. Engage the Board in strategies related to climate change adaptation and water quality impacts on the Lake Tapps Reservoir.
<i>Additional Good Governance actions that are not associated with specific Strategic Plan Strategies.</i>	39. Identify alternative, low-cost sources of funding for the Tacoma-Cascade Pipeline program. 40. Complete the financial and accountability audits.

## FOCUS AREA 6: EMERGING ISSUES

**GOAL: Support members in addressing emergent priority issues while maintaining accountability to ratepayers.**

Strategic Plan Strategies	2025 Work Plan Actions
S. Engage in strategies to address affordability in water-related services.	41. Participate in wholesaler affordability framework discussions as part of AWWA National Rates & Charges Affordability Subcommittee.
T. Support members in working with regulators and other government agencies to achieve members’ goals.	42. Continue to advocate members’ interests with local, county, state, and other governmental agencies. 43. Begin design on the Lewis Creek Crossing/BIP project as part of WSDOT’s culvert improvement project. 44. Support members in their analysis of their interests in the Snoqualmie Aquifer.
U. Provide analysis on emergent issues to enable the Board to make informed decisions and guide Cascade’s work.	45. Continue to address reclaimed water through the process established under Agreement to Coordinate Reclaimed Water.



MEETING MINUTES OF THE  
BOARD OF DIRECTORS  
VIA HYBRID  
JANUARY 22, 2025

**1. CALL TO ORDER**

At 3:30 p.m. Chair Sweet called the meeting to order.

**2. ROLL CALL**

Board Members Present: City of Bellevue (Hamilton), City of Kirkland (Sweet), City of Redmond (Birney), City of Tukwila (McLeod), Sammamish Plateau Water & Sewer District (Warren), and Skyway Water and Sewer District (Ault)

Board Members Absent: City of Issaquah (Pauly)

Board Alternates Present: City of Bellevue (Stokes), City of Issaquah (Joe), City of Redmond (Nuevacamina), City of Tukwila (Martinez), Sammamish Plateau Water & Sewer District (Hooshangi)

**3. PUBLIC COMMENT**

None.

**4. EXECUTIVE SESSION**

None.

**5. APPROVAL OF AGENDA**

Chair Sweet said that the meeting agenda needs to be altered to include a new item as 8A (Indemnification). The original Items 8A and 8B will be adjusted to 8B and 8C.

**Motion by Ms. Birney and second by Mr. Warren to approve the meeting agenda as altered above. Motion carried unanimously (6-0).**

**6. CHIEF EXECUTIVE OFFICER'S REPORT**

Ray Hoffman, Cascade CEO, reviewed the Chief Executive Officer's Report that was included in the Board Packet, and responded to questions from Board Members.

**7. CONSENT ITEMS**

- A. Board Meeting Minutes for November 20, 2024.
- B. Motion to authorize the Chief Executive Officer to execute various 2025 Cascade sponsorship agreements for a combined total not to exceed \$47,000 (as shown in the events listed in the Agenda Memo).

- C. Motion to adopt Resolution 2025-03 authorizing the Chief Executive Officer, in consultation with legal counsel, to finalize and execute a five-year temporary construction easement to be granted by Cascade Water Alliance to the U.S. Army Corps of Engineers, related to the Corps' Mud Mountain Dam Fish Passage Project, substantially in the form included in the Board Packet.

**Motion by Mr. Ault and second by Ms. Birney to approve Consent Action Items A-C as presented. Motion carried unanimously (6-0).**

## **8. OTHER ACTION ITEMS**

- A. Motion for Indemnification

Cascade's legal counsel explained that Cascade's Contract Operator for the Lake Tapps Reservoir Project ("Project") is Veolia Water North America West LLC ("Veolia"). On April 30, 2024, a complaint was filed against Veolia by a former Veolia employee, assigned to the Project, regarding a wage dispute. The matter is Jeffery Rohr v. Veolia Water North America – West, LLC, Pierce County Superior Court, No. 24-2-07625-1 ("Matter"). Cascade has not been named a party in the Matter. However, a former Cascade employee, Jon Shimada, has been contacted by Mr. Rohr's attorney for an interview related to the Matter. During his employment, Mr. Shimada oversaw the contract with Veolia. He has requested legal representation and indemnification by Cascade for this Matter. To date, no other Cascade employees have been subpoenaed in this Matter, but that may occur in the future.

Cascade's legal counsel, explained that Chapter 2.20 of the Cascade Water Alliance Code ("CWAC") addresses indemnification of directors, officers and employees.

By this motion, the Board would authorize the indemnification of Mr. Shimada, based on the Cascade CEO's determination that Mr. Shimada's activities during the supervision of the Veolia contract were in compliance with each element of CWAC 2.20.020, and legal representation of Mr. Shimada by Cascade's attorney upon consent by the CEO, or alternatively another attorney designated by Cascade's attorney. In addition, in the event that another current or former employee of Cascade is subpoenaed in the Matter and requests indemnification and representation, this motion authorizes the CEO to make the determination that the requestor meets the standard of conduct in CWAC 2.20.020 and shall be indemnified and provided legal representation by Cascade's attorney upon consent by the CEO, or alternatively another attorney designated by Cascade's attorney.

**Motion by Ms. Birney and second by Mr. Ault to approve (1) Cascade's CEO's determination that Mr. Shimada has met the standard of conduct under CWAC 2.20.020 for indemnification in connection with the indemnification and legal representation of Mr. Shimada in the Rohr v. Veolia Matter, (2) legal representation of Mr. Shimada in such Matter by Cascade's attorney upon consent by the CEO, or alternatively an attorney designated by Cascade's attorney, in such matter, and (3) authorizing the CEO to make a determination on behalf of the Board that any additional Cascade employee or former employee requesting indemnification and legal representation in such Matter meets the standard of conduct in CWAC 2.20.020 and will be indemnified and provided legal representation in such matter by Cascade's attorney upon consent by the CEO, or alternatively an attorney designated by Cascade's attorney. At the question, motion carried unanimously (6-0).**

- B. Motion to adopt Resolution No. 2025-02 adopting the 2025 Integrated Aquatic Vegetation Management Plan with direction to the Chief Executive Officer to submit the Plan to the Department of Ecology and proceed with implementation of the Plan.

Melina Thung, Chief of Staff, explained that the purpose of the IAVMP is to provide long-term adaptive management strategies for aquatic plants that are cost effective, ecologically sustainable, and maintain the Lake Tapps Reservoir's water quality, with a focus on water quality for future drinking water supply. The Plan includes two recommendations which were evaluated using the Board-approved Drinking Water Quality Policy Framework: 1) continued chemical treatment of milfoil, and 2) regular reservoir-wide surveys to monitor other non-native and native nuisance plants. The Plan does not include treatment of any plants other than milfoil, and staff would return to the Board for direction if a future reservoir survey indicated a need for treatment of additional plants. A determination of non-significance for SEPA and a public comment period have been conducted. The IAVMP Executive Summary was included in the Board Packet.

Cascade staff responded to various questions from Board Members.

**Motion by Mr. Warren and second by Mr. McLeod to adopt Resolution No. 2025-02 adopting the 2025 Integrated Aquatic Vegetation Management Plan with direction to the Chief Executive Officer to submit the Plan to the Department of Ecology and proceed with implementation of the Plan. Motion carried unanimously (6-0).**

- C. Motion to adopt Resolution No. 2025-01 Authorizing the Chief Executive Officer to Execute Agreements with the City of Tacoma for Wholesale Water Supply.

Mr. Hoffman explained that Cascade and Tacoma staff and their respective attorneys have negotiated the terms of the new water supply contracts/agreements. The final draft contracts were included in the Board Packet. Throughout the contract negotiations, Tacoma has been a collaborative partner with shared goals and values. The draft contracts reflect this, and the outcomes of the contracts provide great benefit to both Cascade and Tacoma.

**Motion by Ms. Birney and second by Mr. Warren to adopt Resolution No. 2025-01 Authorizing the Chief Executive Officer to Execute Agreements with the City of Tacoma for Wholesale Water Supply.**

**Motion by Mr. Hamilton and second by Ms. Birney to amend Section 2 of the Agreement to the following:**

**Section 2. Governance and Oversight. ~~In~~By December 31, 2025, Cascade staff shall present, for approval of the Board, guidelines for the role of Board regarding the five (5) year reviews and the Management Agreements. The Board shall receive periodic updates starting by July 1, 2025.**

**At the question, motion carried unanimously (6-0) to approve the amendment to the main motion.**

Mr. Hamilton said that the amendment ensures that the Board is able to receive updates on staff's work throughout the process of developing the guidelines for the role of the Board in reviews and Management Agreements.

**At the question, motion carried unanimously (6-0) to approve the main motion, as amended.**

Board Members and staff discussed the significance of the agreement. Tacoma Water Deputy Superintendent, Jessica Knickerbocker, expressed her appreciation to Cascade staff and Board Members for the monumental agreement.

**9. STAFF PRESENTATIONS**

A. Seattle Regional Collaboration Discussion Update.

Mr. Hoffman said that the scheduled meeting between the Executive Committee and Mayor Bruce Harrell has been postponed until mid-February.

**10. COMMITTEE REPORTS**

- A. Executive Committee – Meeting held January 7, 2025. The meeting recap was included in the Board Packet.
- B. Finance & Management Committee – Meeting held January 14, 2025. The meeting recap was included in the Board Packet.
- C. Public Affairs Committee – Meeting held January 8, 2025. The meeting recap was included in the Board Packet.
- D. Resource & Management Committee – Meeting held January 9, 2025. The meeting recap was included in the Board Packet.

**11. NEW BUSINESS**

None

**12. NEXT REGULAR MEETING**

The next regularly scheduled Board meeting will be held on February 26, 2025 at 3:30 p.m.

**13. ADJOURN**

The meeting was adjourned at 4:12 p.m.

APPROVED BY:

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Penny Sweet, Chair

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Angela Birney, Vice-Chair

## **AGENDA MEMORANDUM**

### **SUBJECT**

Motion to adopt Resolution No. 2025-04 Authorizing the Chief Executive Officer to Replace an Exhibit in the Agreements to be Executed with the City of Tacoma for Wholesale Water Supply.

### **BACKGROUND**

On January 22, 2025, the Board approved Resolution 2025-01 authorizing Cascade's Chief Executive Officer, in consultation with legal counsel, to finalize and execute the two wholesale supply agreements with the City of Tacoma. Two final draft agreements, along with several exhibits to each agreement, were attached to Resolution 2025-01: 1) the Agreement for Market-Priced Wholesale Water Supply; and 2) the Agreement for Wholesale Water Supply. Resolution 2025-01 stipulated that the final agreements were to be substantially consistent with the final draft agreements that were attached to the resolution.

After the Board approval of Resolution 2025-01, Cascade and Tacoma staff identified a mathematical error in Exhibit G - Market-Priced Wholesale Rate Methodology of the Agreement for Market-Priced Wholesale Water Supply. The Exhibit G draft that was attached to Resolution 2025-01 did not allocate Cascade full share of Tacoma's peak capacity.

The updated and final Exhibit G attached to Resolution 2025-04 (attached) corrects the mathematical error. This correction results in a 9% increase in Cascade's Market-Priced charges between 2041 and 2062. This translates to a net present value cost increase of \$6 million. As this revision constitutes a substantive change to the draft documents attached to Resolution 2025-01, Cascade requests that the Board authorize the Chief Executive Officer to replace Exhibit G from the draft Agreement for Market-Priced Wholesale Water Supply attached to Resolution 2025-01 with the modified Exhibit G as attached.

### **PROCUREMENT PROCESS**

Not applicable.

### **FISCAL IMPACT**

Cascade's market-priced charges to Tacoma will increase by 9% between 2041 and 2062. This results in a 1% rate increase in 2043 and a 1% rate decrease in 2061.

### **OPTIONS**

1. Adopt Resolution No. 2025-04, authorizing the Chief Executive Officer to replace an exhibit in the agreements to be executed with the City of Tacoma for wholesale water supply.
2. Do not adopt Resolution No. 2025-04 and provide alternative direction to staff.



## **RECOMMENDED ACTION**

Adopt Resolution No. 2025-04, authorizing the Chief Executive Officer to replace an exhibit in the agreements to be executed with the City of Tacoma for wholesale water supply.

## **ATTACHMENTS**

1. Resolution No. 2025-04, Authorizing the Chief Executive Officer to Replace an Exhibit in the Agreements to be Executed with the City of Tacoma for Wholesale Water Supply.
2. Revised Market-Priced Appendix Presentation



CASCADE WATER ALLIANCE  
RESOLUTION No. 2025-04

A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE CASCADE WATER ALLIANCE,  
A WASHINGTON MUNICIPAL CORPORATION,  
AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO REPLACE AN EXHIBIT IN  
THE AGREEMENTS TO BE EXECUTED WITH THE CITY OF TACOMA FOR  
WHOLESALE WATER SUPPLY

WHEREAS the Cascade Water Alliance ("Cascade") is a Washington municipal corporation formed under authority of the Joint Municipal Utilities Authority Act (Chapter 39.106 RCW) to provide water supply to its Members; and

WHEREAS the Board of Directors (Board) adopted Resolution No. 2025-01, authorizing the Chief Executive Officer, in coordination with legal counsel, to finalize and execute the *AGREEMENT FOR THE SALE OF WHOLESALE WATER* and the *AGREEMENT FOR THE SALE OF MARKET-PRICED WHOLESALE WATER*, provided the terms are substantially consistent with those set forth in the draft agreements attached to Resolution No. 2025-01 ("Draft Agreements"); and

WHEREAS the Board has since determined that modifications to *EXHIBIT G* of the *AGREEMENT FOR THE SALE OF MARKET-PRICED WHOLESALE WATER* constitute material changes to the Draft Agreements that must be authorized by the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CASCADE WATER ALLIANCE, as follows:

**Section 1. Adoption.** The Board authorizes the Chief Executive Officer to replace *EXHIBIT G* of the *AGREEMENT FOR THE SALE OF MARKET-PRICED WHOLESALE WATER* included in the Draft Agreements, with the modified *EXHIBIT G* attached hereto, and proceed as authorized in Resolution No. 2025-01.

**Section 2. Effect.** This Resolution shall be in full force and effect on the date of its adoption.

ADOPTED AND APPROVED by the Board of Directors of the Cascade Water Alliance at a special meeting thereof, held on the 26th day of February 2025.

CASCADE WATER ALLIANCE

\_\_\_\_\_  
Penny Sweet, Chair

\_\_\_\_\_  
Attest – Ray Hoffman, Chief Executive Officer

\_\_\_\_\_  
Angela Birney, Vice Chair

\_\_\_\_\_  
Mary Lou Pauly, Secretary/Treasurer

Members

Yes \_\_\_\_\_

No \_\_\_\_\_

Demand Share

Yes \_\_\_\_\_%

No \_\_\_\_\_%

Include in CWAC?

— Yes

X No

ATTACHMENT  
EXHIBIT G

**Market Priced Wholesale Rate Methodology**



**TACOMA WATER**

**Market-Priced Wholesale  
Water Rate Analysis for  
Cascade Water Alliance**

*Submitted by:*

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*February 2025*

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## 1.0 Introduction

In planning for its long-term water supply needs, Cascade Water Alliance (Cascade) approached Tacoma Water (Tacoma) with the interest of acquiring water supply capacity by 2040. Cascade has requested a capacity commitment of 24.0 million gallons per day (mgd) on average, with a peak capacity commitment of up to 32.5 mgd. Recognizing that significant capital investments would be needed to deliver Tacoma water to Cascade, both parties agreed that negotiating the terms of a supply contract well in advance of the anticipated delivery date would be in their collective interest. Tacoma and Cascade engaged FCS, a Bowman Company (FCS) as a neutral third party to develop a methodology of pricing wholesale water supply from Tacoma based on industry ratemaking practices. The American Water Works Association (AWWA) specifies two ratemaking approaches:

- Most commonly used by municipal utilities for ratemaking, the **cash-needs approach** involves defining a utility's annual revenue requirement based on its cash needs including operating expenses, debt service, rate-funded contributions to capital projects, and other policy-based needs such as funding reserves. Tacoma uses this approach to set utility rates for most of its customers, and Cascade uses it to set charges for its member agencies.
- Though used most often by investor-owned utilities, the **utility-basis approach** provides an alternative rate-setting methodology for municipal utilities. It is often used for setting rates for wholesale or special contract customers because it can be tailored to reflect the specific level and character of service provided and explicitly defines and provides a return on utility investment committed to such service. In defining the annual revenue requirement, it typically includes operating expenses, depreciation, and a return on the assets used to provide service.

Ongoing discussions between the parties have led to the development of a hybrid pricing model.

- **Permanent Capacity:** Cascade has requested a permanent capacity commitment of 15.0 mgd peak, with an anticipated average-day demand of 12.0 mgd. Under the terms of the Wholesale Water Supply Agreement, Cascade will pay a system development charge (SDC) to Tacoma to receive a commitment on par with what Tacoma provides to its other wholesale customers. Tacoma currently prices retail and wholesale rates using a cash-needs approach and will price water sold to Cascade under this agreement in a consistent manner.
- **Temporary Capacity:** Cascade has requested a temporary capacity commitment of 12.0 mgd average, 17.5 mgd peak that will be governed by a separate Market-Priced Wholesale Water Supply Agreement. Cascade will not have to pay an SDC for this capacity commitment but will "rent" it for the term of this Agreement at a cost determined using the utility-basis ratemaking approach.

This report focuses primarily on documenting the methodology that Tacoma will use to set rates for water that Cascade will purchase under the Market-Priced Wholesale Water Supply Agreement. By setting the Market-Priced rates based solely on the temporary capacity commitment (and excluding the temporary capacity commitment from the determination of charges for the permanent capacity commitment), the proposed methodology avoids double charging Cascade for the assets used and costs incurred to provide service.

## 2.0 Methodology

The methodology for calculating the market-priced wholesale water rate is described in further detail below. The tables and calculations shown reflect an example test year of 2023, which would be used to set the charges applicable between January 1, 2025 and December 31, 2025.

### A. Define & Allocate Assets Providing Service

A core element of the market-priced wholesale rate methodology involves defining which components of its water system Tacoma would use to serve Cascade and then allocating a share of those components to Cascade based on its capacity needs. The infrastructure that would deliver water from Tacoma to Cascade is separable into several functional categories, each of which is discussed further below. Assets to be included in the rate base can be broadly assigned among four general groups:

- **Assets Providing No Regional Supply Function:** Assets such as hydrants or meters that provide no regional supply function are not allocated in any part to Cascade.
- **Assets Partially Providing a Regional Supply Function:** Some assets serve both regional supply functions and other functions that are not allocable to Cascade – for example, the McMillin Reservoir System largely operates as part of the regional supply system but also supports fire suppression services in Tacoma’s retail system. In such cases, an engineering determination is used to allocate the asset(s) in question between allocable and non-allocable functions. Cascade is then allocated a share of the portion assigned to regional supply functions based on its share of capacity.
- **Assets Fully Supporting the Regional Supply System:** Assets such as the Green River Filtration Facility are entirely related to providing water and are entirely allocable to Cascade based on its share of capacity, as described below.



- **Directly Charged Assets:** Some assets such as the Supply Service Connection and Meter for Cascade’s service, which exclusively serve Cascade, may be directly charged to Cascade rather than being allocated to the rate base.

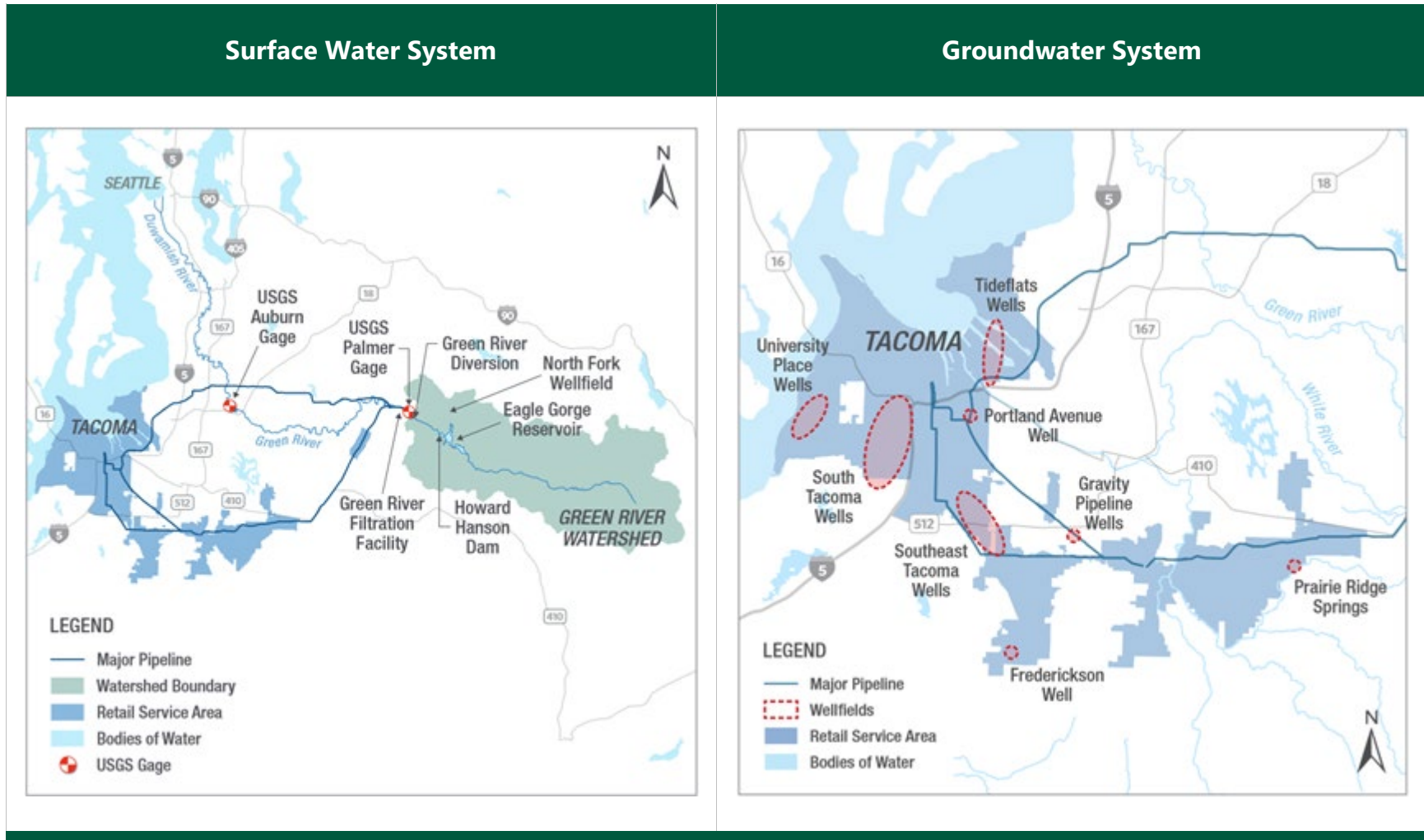
## Supply & Treatment

Summarized below in **Exhibit 1**, Tacoma owns and operates a network of surface water and groundwater sources to meet the water demands of its customers. Tacoma obtains most of its drinking water from the Green River Watershed through a surface water supply system that includes the following infrastructure:

- **Howard Hanson Dam and Eagle Gorge Reservoir:** Originally constructed to provide flood control for the Green River Valley, Howard Hanson Dam also augments in-stream flows in the Green River downstream of the dam during the summer and provides a source of supply for municipal use.
- **Green River Diversion Dam and Intake:** Tacoma’s water supply is diverted from the Green River about 3 miles downstream of the Howard Hanson Dam.
- **North Fork Wellfield:** Groundwater from the North Fork Wellfield is conveyed through the North Fork Pipeline to the North Fork Tank, where it flows through a blending system and is treated.
- **Green River Filtration Facility (GRFF):** The GRFF treats water from the Green River Diversion Dam and the North Fork Wellfield. Tacoma has the flexibility to draw water from either or both sources for treatment, depending on turbidity levels in the Green River and other operational considerations.

Most of Tacoma’s water comes from the Green River under a 1912 claim known as the First Diversion Water Right, which can supply up to 113 cubic feet per second (cfs) or 73.0 mgd subject to minimum stream flow requirements. The Second Diversion Water Right makes an additional 100 cfs (64.6 mgd) available but is limited by instream flow requirements. The Second Diversion Water Right is the source of supply for the Regional Water Supply System (RWSS) and is shared by the Second Supply Partners including Tacoma with a 15/36 Participant Share and the City of Kent, Covington Water District, and Lakehaven Water and Sewer District each with a 7/36 Participant Share. Section 4.5.2 of Tacoma’s 2018 Water System Plan (WSP) indicates that Tacoma’s firm yield is 107 mgd on average; estimates from Tacoma staff attribute 85.6 mgd of this firm yield to the surface water system. Section 5.1.4 of the 2018 WSP establishes a peak capacity of 150 mgd for the GRFF, assuming that it is operated as a direct filtration plant.

Exhibit 1. Tacoma Water Supply System



Source: Tacoma Water Integrated Resource Plan (2018), Figures 1.1 – 1.2.

Tacoma's groundwater production wells typically produce around 11% of the total water that Tacoma supplies, usually during the late summer and early fall when customer demands are relatively high and much of the stored surface water has been depleted. The wells also serve as a backup source of supply when Tacoma's surface water source is inadequate to fully meet demands or must be taken offline temporarily for operational reasons. Tacoma's groundwater sources are separable into a series of wellfields, including:

- **South Tacoma Wellfield:** The South Tacoma Wellfield is Tacoma's largest wellfield and the source of the majority of the groundwater that Tacoma draws from its aquifers. Its capacity typically declines in the late summer. The Wells Pipeline delivers water from this wellfield to the South Tacoma Pump Station or the Hood Street Reservoir.
- **Gravity Pipeline Wellfield:** The wells in the Gravity Pipeline Wellfield pump directly into Pipeline 4. Due to the high pumping costs associated with their operation, these wells are used primarily for peaking purposes or as an alternate source of supply.
- **University Place Wellfield:** The University Place wellfield has two wells, one of which is used seasonally and the other of which is for emergency use only.
- **Portland Avenue Well:** The Portland Avenue Well feeds directly into the Portland Avenue Reservoir.
- **Southeast Tacoma Wellfield:** The five wells in the Southeast Tacoma Wellfield pump directly into the distribution system.
- **Prairie Ridge Springs:** The Prairie Ridge system consists of a gallery that captures spring water, chlorinates it, and pumps it to a pair of steel tanks for use in the Prairie Ridge Pressure Zone. Tacoma rarely uses this system, but it remains available in the event that Pipeline 1 were to become unavailable.
- **Tideflats Wellfield:** The Tideflats wellfield consists of two artesian wells that are not currently in service. One well is high in ammonia and is reserved for emergency use only; the other does not have a pump installed.
- **Frederickson Well:** The Frederickson Well does not have a pump installed and is not currently in service.

Tacoma treats its groundwater through a variety of methods to meet all federal and state drinking water standards. While Tacoma's groundwater supply is generally quite reliable, it comes with incremental pumping costs that are not required to deliver surface water. Tacoma staff have

estimated a firm yield averaging 21.4 mgd and a peak capacity of 25.0 mgd for its groundwater sources.

While Cascade’s connection will be physically limited as to which sources it can receive, all supply, treatment, and supply transmission assets are included in the basis for ratemaking. Recognizing that all supplies ultimately contribute to the reliability and availability of the capacity being committed to Cascade, the Parties have agreed to use a “whole system” pricing model that allocates costs to Cascade based on its share of the total system.

**Exhibit 2** summarizes the allocation of supply and treatment infrastructure costs to Cascade. Given that Tacoma’s supply system is sized to meet peak demands, the allocation of capital costs related to supply and treatment infrastructure to Cascade is based on its share of Tacoma’s peak supply capacity. Considering the ongoing operation of Tacoma’s water system, only a portion of Tacoma’s supply and treatment operating expenses vary with the size and scale of the water system – other costs instead vary with the total amount of water delivered. For this reason, supply-related operating costs are allocated to Cascade based on its weighted-average share of average and peak capacity.

**Exhibit 2. Allocation of Supply and Treatment Infrastructure Costs**

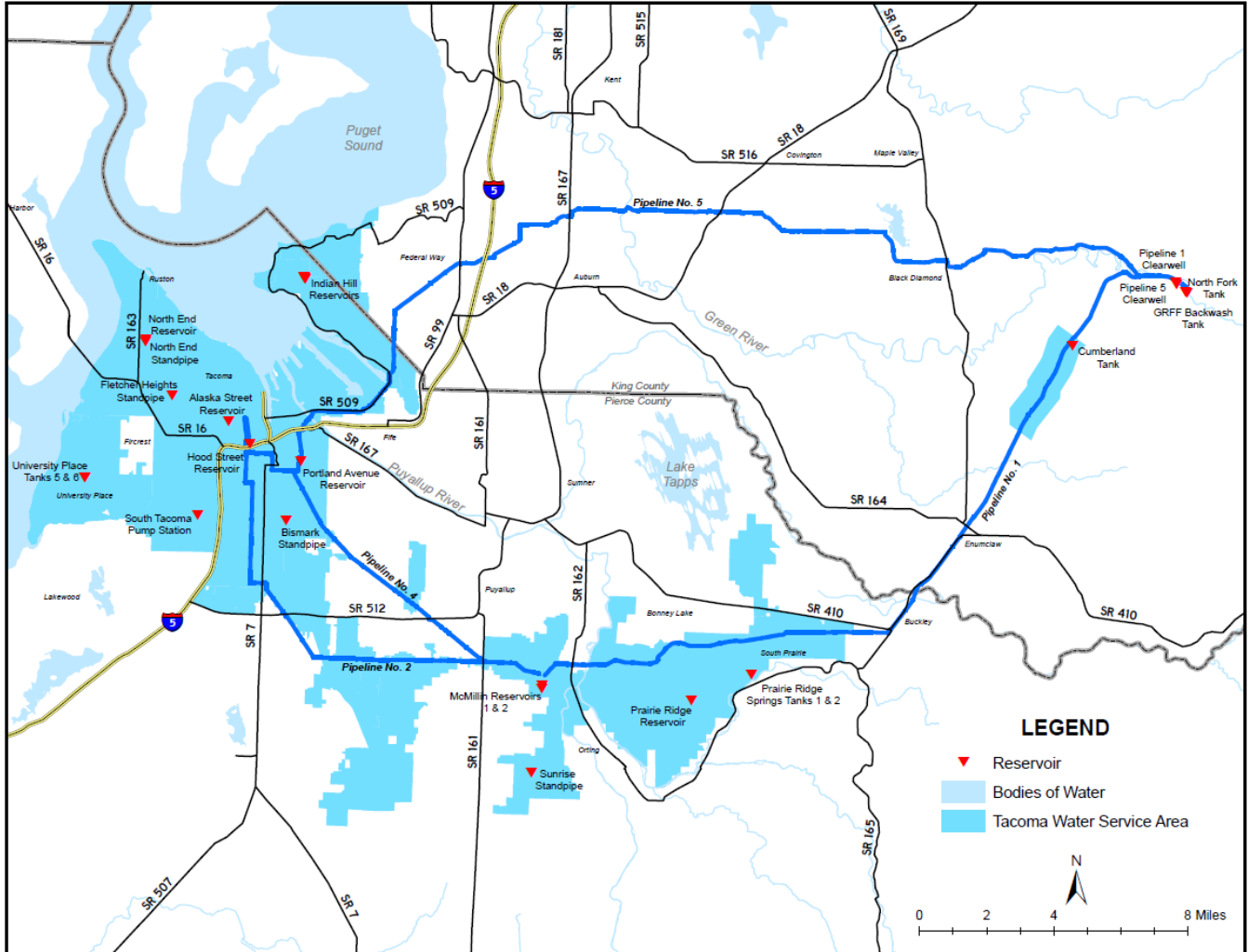
	Total	Notes
<b>Average Supply Capacity</b>		
Surface Water		
First Diversion Water Right (FDWR)	45.41 mgd	85.6 mgd × FDWR share (113 / 213 cfs)
Second Diversion Water Right (SDWR)	40.19 mgd	85.6 mgd × SDWR share (100 / 213 cfs)
Groundwater	21.40 mgd	
Total Firm Yield	107.00 mgd	
Less: RWSS Partner Share of SDWR	(23.44 mgd)	40.19 mgd × 21/36 RWSS Partner Share
Net Firm Yield	83.56 mgd	
Average-Day Capacity Commitment to Cascade	12.00 mgd	Capacity Under Market-Priced Contract
<b>Cascade Share of Average Supply Capacity</b>	<b>14.361%</b>	
<b>Peak Supply Capacity</b>		
Surface Water (GRFF)	150.00 mgd	
Less: RWSS Partner Share of Surface Water Capacity	(41.08 mgd)	21/36 of SDWR share (100/213 cfs)
Groundwater	25.00 mgd	
Total	133.92 mgd	
Peak-Day Capacity Commitment to Cascade	17.50 mgd	Capacity Under Market-Priced Contract
<b>Cascade Share of Peak Supply Capacity</b>	<b>13.067%</b>	
<b>Average-Day Capacity as a Percent of Peak-Day Capacity</b>	<b>62.393%</b>	<b>83.56 mgd out of 133.92 mgd</b>
<b>% of Peak Capacity Attributable to Incremental Peaking</b>	<b>37.607%</b>	<b>Remaining 50.36 mgd / 133.92 mgd</b>
<b>Weighted Allocation of Supply/Treatment Costs to Cascade</b>	<b>13.875%</b>	<b>62.393% × 14.361% + 37.607% × 13.067%</b>

## Storage

Tacoma's water system includes a series of reservoirs, tanks, and standpipes that together provide the storage capacity needed to meet peak demands, provide for emergency supply, and support the delivery of water for fire suppression. The facilities that will benefit Cascade are located primarily in the McMillin Gravity Zone and include the Alaska Street, Bismark, Fletcher Heights, Hood Street, McMillin, North End (Reservoir and Standpipe), Portland Avenue, South Tacoma, and University Place storage facilities. Together, these facilities have a combined storage capacity of 118.51 million gallons (MG). Table 6-6 of the 2018 Water System Plan indicates that of this volume, 22.40 MG is attributable to fire-suppression storage that is not allocable to Cascade because it is not requesting fire-suppression services from Tacoma. It is worth noting that the allocation of storage capacity to Cascade includes a proportionate share of costs associated with dead storage, recognizing that it serves a function in the routine operations of the storage facilities and is an alternative to higher construction costs that would otherwise have been allocated to Cascade. Recognizing that these storage facilities in the McMillin Gravity Zone will primarily benefit Cascade as part of Tacoma's supply transmission system, Cascade's share of these facilities is based on its share of supply/treatment costs (12.082% per **Exhibit 2**).

**Exhibit 3** summarizes the allocation of Tacoma's storage facilities to Cascade.

### Exhibit 3. Allocation of Storage Facilities



	Total	Notes
Total McMillin Gravity Zone Storage Capacity	118.51 MG	
Less: McMillin Gravity Zone Fire Suppression Storage Capacity	(22.40 MG)	Per Table 6-6 of 2018 WSP
Net Storage Capacity Allocable to Cascade	96.11 MG	
Allocation of Peak Supply/Treatment Capacity to Cascade	13.067%	Per <b>Exhibit 2</b>
Storage Capacity Allocated to Cascade	12.56 MG	96.11 MG × 13.067% = 12.56 MG
Total Storage Capacity of Tacoma System	135.16 MG	
<b>Cascade Share of Storage Capacity in Tacoma System</b>	<b>9.292%</b>	<b>12.56 MG / 135.16 MG = 9.292%</b>

### Pumping

Given that Tacoma’s pump stations serve as part of both the regional supply system and Tacoma’s local distribution system, they are allocated between the two functions. Cascade is allocated a share of the supply component based on its share of peak supply and treatment capacity (13.067% per **Exhibit 2**). Cascade is not allocated costs associated with the distribution component. **Exhibit 4**

summarizes the allocation of Tacoma’s pump stations to the regional supply system and then to Cascade.

**Exhibit 4. Allocation of Pumping Facilities**

Pump Station	Capacity	Allocation to Regional System	Share Allocable to Cascade
Alaska Street	7.20 mgd	0.000%	0.000%
Alder Lane	0.04 mgd	0.000%	0.000%
Cumberland	0.50 mgd	0.000%	0.000%
Fennel Creek	2.40 mgd	0.000%	0.000%
Frederickson	0.20 mgd	0.000%	0.000%
Highland	1.50 mgd	0.000%	0.000%
Hood Street	15.00 mgd	0.000%	0.000%
Indian Hill #1	2.30 mgd	0.000%	0.000%
Indian Hill #2	1.80 mgd	0.000%	0.000%
Marine View Drive	9.10 mgd	0.000%	0.000%
McMillin #1	2.80 mgd	0.000%	0.000%
McMillin #2	7.10 mgd	0.000%	0.000%
Mildred Street	1.40 mgd	0.000%	0.000%
North End	11.20 mgd	0.000%	0.000%
Palmer	0.05 mgd	0.000%	0.000%
Prairie Ridge	3.30 mgd	0.000%	0.000%
Prairie Ridge Springs	2.00 mgd	0.000%	0.000%
South Tacoma	17.00 mgd	0.000%	0.000%
128 <sup>th</sup> & Canyon	1.10 mgd	0.000%	0.000%
62 <sup>nd</sup> Avenue East	0.80 mgd	0.000%	0.000%
North 21 <sup>st</sup> & Pearl	3.20 mgd	0.000%	0.000%
83 <sup>rd</sup> Avenue West & Cirque Drive	0.90 mgd	0.000%	0.000%
214 <sup>th</sup> Avenue East	8.60 mgd	0.000%	0.000%
198 <sup>th</sup> Avenue East	3.50 mgd	0.000%	0.000%
356 <sup>th</sup> Street	5.80 mgd	0.000%	0.000%
80 <sup>th</sup> Avenue East & 132 <sup>nd</sup> Lane East	0.10 mgd	0.000%	0.000%
Pipeline 1 Finished Water Pump Station	73.00 mgd	100.000%	13.067%
<b>Total</b>	<b>181.89 mgd</b>		

Because Section 5.6.3 of Tacoma’s WSP indicated that most of these pump stations are part of the distribution system, only the Pipeline 1 Finished Water Pump Station is allocated to the regional supply system. This allocation may be adjusted in the future if Tacoma adds pump stations to assist in its delivery of water to Cascade.

## Transmission

Tacoma's 2018 WSP identifies 142 miles of large-diameter transmission mains that convey water from the Green River and production well sites to the retail distribution system, wholesale customers, and RWSS partners. Recognizing their purpose of conveying supply, Cascade is allocated a share of these costs based on its allocation of peak supply and treatment capacity (13.067% per **Exhibit 2**). Though no adjustments have been made to the existing inventory of transmission assets given the information currently available, the Parties have agreed that Cascade will not be allocated transmission assets that exclusively serve other customers and do not provide at least an indirect benefit (e.g. system redundancy/reliability) to Cascade.

## Distribution

The 2018 WSP indicates that Tacoma's retail distribution system consists of roughly 1,250 miles of distribution mains. Cascade is not allocated a share of costs associated with distribution mains.

## Hydrants

Given that the service requested by Cascade does not include fire suppression, it is not allocated costs related to Tacoma's hydrants.

## Meters & Services

Cascade is not allocated costs attributable to the meters and service lines that serve Tacoma's other retail and wholesale customers. Cascade will be responsible for the cost of the master meter(s) installed at its point(s) of connection to the Tacoma system, but these will be recovered as direct costs, rather than as part of an allocated rate methodology discussed in this report.

## Multi-Function Assets

Assets which serve multiple water system functions, such as a pump station which maintains hydraulic gradient for regional supply while also meeting retail distribution system peak demands, will be allocated through a two-step process. The asset will first be allocated to the regional supply function based on an engineering determination; the portion assigned to the regional supply function will then be allocated to Cascade based on Cascade's proportional share of the regional supply capacity.

## General

Water system assets that are not specifically attributable to one of the categories listed above (such as general land, administrative facilities specifically attributable to Tacoma Water, vehicles, and equipment) are first allocated between the regional supply system and the local distribution system



based on the assets assigned to each function. Cascade is then allocated a share of the portion attributed to supply based on its allocation of other regional supply system assets (Cascade is not allocated a share of the portion assigned to distribution). Given that Tacoma tracks assets for the RWSS (Fund 4600-RWSS) separately from the rest of its water system (Fund 4600), the allocation of general system facilities in each fund is based on the allocation of the other assets in that fund.

For the purpose of allocating assets to Cascade and computing an annual return on those assets, the cost basis includes construction work in progress (CWIP) in addition to the booked cost of existing facilities currently in service. The balance of CWIP as of the end of the preceding year is allocated by project to the functional asset categories described above.

**Exhibit 5** summarizes the allocation of fixed asset costs to Cascade, showing Cascade being allocated approximately \$38.4 million of the assets in Fund 4600 and \$18.8 million of Tacoma's share of the assets in Fund 4600-RWSS, for a combined total of \$57.2 million. This allocation represents 4.375% of the combined \$1.3 billion in assets included in Funds 4600 and 4600-RWSS.

**Exhibit 5. Allocation of Tacoma Water System Assets**

	Original Cost as of 12/31/23	Original Cost of Assets Included in Regional System	Share Allocable to Tacoma <sup>1</sup>	Tacoma Share of Regional System Original Cost	Basis for Allocation to Cascade	Share Allocable to Cascade	Cascade Share
<b>Fund 4600 Assets:</b>							
Supply/Treatment	\$192,559,971	\$192,559,971	100.000%	\$192,559,971	Supply Capacity (Peak)	13.067%	\$25,162,745
Storage	37,484,851	37,377,226	100.000%	37,377,226	Storage Capacity	9.292%	3,472,928
Transmission	55,773,877	55,773,877	100.000%	55,773,877	Supply Capacity (Peak)	13.067%	7,288,243
Pumping (Supply)	-	-	100.000%	-	Supply Capacity (Peak)	13.067%	-
Pumping (Distribution)	13,786,024	-	100.000%	-	Not Allocated	0.000%	-
Distribution	417,410,930	-	100.000%	-	Not Allocated	0.000%	-
Hydrants	43,326,774	-	100.000%	-	Not Allocated	0.000%	-
Meters & Services	138,034,371	-	100.000%	-	Not Allocated	0.000%	-
General (Supply)	19,910,187	19,910,187	100.000%	19,910,187	Other 4600 Supply Assets	12.574%	2,503,410
General (Distribution)	42,694,492	-	100.000%	-	Not Allocated	0.000%	-
<b>Total</b>	<b>\$960,981,479</b>	<b>\$305,621,261</b>	<b>100.000%</b>	<b>\$305,621,261</b>		<b>3.999%</b>	<b>\$38,427,326</b>
<b>Fund 4600-RWSS Assets:</b>							
Supply/Treatment	\$200,907,711	\$200,907,711	41.667%	\$ 83,711,546	Supply Capacity (Peak)	13.067%	\$10,938,993
Storage	-	-	41.667%	-	Storage Capacity	9.292%	-
Transmission	142,581,130	142,581,130	41.667%	59,408,804	Supply Capacity (Peak)	13.067%	7,763,236
Pumping (Supply)	-	-	41.667%	-	Supply Capacity (Peak)	13.067%	-
Pumping (Distribution)	60,470	-	41.667%	-	Not Allocated	0.000%	-
Distribution	1,191,390	-	41.667%	-	Not Allocated	0.000%	-
Hydrants	24,000	-	41.667%	-	Not Allocated	0.000%	-
Meters & Services	244,232	-	41.667%	-	Not Allocated	0.000%	-
General (Supply)	793,336	793,336	100.000%	330,557	4600-RWSS Supply Assets	13.067%	43,195
General (Distribution)	3,511	-	100.000%	-	Not Allocated	0.000%	-
<b>Total</b>	<b>\$345,805,780</b>	<b>\$344,282,178</b>	<b>41.667%</b>	<b>\$143,450,907</b>		<b>13.067%</b>	<b>\$18,745,425</b>
<b>Grand Total</b>	<b>\$1,306,787,259</b>	<b>\$649,903,439</b>		<b>\$449,072,169</b>			<b>\$57,172,751</b>

<sup>1</sup>Tacoma is allocated 41.667% (15/36) of the assets in Fund 4600-RWSS; the other 58.333% (21/36) is dedicated to the RWSS partners.

## B. Calculate Net Rate Base

The “rate base” is the value of property on which a utility is allowed to earn a return, generally defined as the utility’s investment in system infrastructure (as defined by the original cost of plant in service, excluding assets that were funded by grants or donated by third parties) net of accumulated depreciation. The rate base includes construction work in progress, which is allocated to functional categories based on the underlying project costs. For this calculation, Tacoma’s capital asset inventory (which it uses for its annual financial reporting) serves as the initial and primary basis for estimating the rate base. As Tacoma adds assets, liquidates them (at a loss or gain), or removes them from service (in-place retirement), it keeps its asset inventory current on an annual basis to ensure with a reasonable degree of certainty that the stated costs (and the rate base, as a result) are associated with assets that are in service (“used and useful”) in accordance with standard accounting practices.

The net rate base includes an allowance for working capital to recognize that Cascade benefits from Tacoma Water’s existing cash reserves, which protect Tacoma (and by proxy, its ability to serve Cascade) from financial disruption due to normal variability in the timing and amount of operating revenues and expenses. The allowance for working capital is set at 60 days of operation and maintenance expenses; it is determined separately for Fund 4600 and Fund 4600-RWSS and allocated among the asset categories in each fund based on the allocation of the underlying operating expenses.

- Supply, Treatment, and Transmission Operation and Maintenance: Allocated between supply/treatment and transmission based on the total original cost of assets in each category (shown in **Exhibit 5**)
- Distribution Operation and Maintenance: Fully allocated to distribution.
- Asset Maintenance, Planning, and Engineering Operation and Maintenance: Allocated among functions based on the total original cost of assets in each category (shown in **Exhibit 5**).
- Other Operating Expenses: Allocated among functions based on the allocation of direct operation and maintenance expenses to the categories described above.

The net rate base only includes the portion of the working capital allowance that is attributable to assets included in the regional system. It would not include, for example, 60 days of operating expenses attributable to the distribution system and other facilities that are not allocable to Cascade.

**Exhibit 6** summarizes the calculation of the net rate base allocable to Cascade, showing an allocation of \$33.5 million to Cascade, which represents its share of the assets that will provide service as part of the Market-Priced Wholesale Water Supply Agreement.

**Exhibit 6. Calculation and Allocation of Net Rate Base**

	Original Cost of Regional System as of 12/31/23 (per Exhibit 5)	Less: Contributed Regional System Assets	Less: Accumulated Depreciation On Utility-Funded Assets	Plus: CWIP Allocable to Regional System	Net Cost Allocable to Regional System as of 12/31/23	Allowance for Working Capital <sup>1</sup>	Net Rate Base
<b>Fund 4600 Assets:</b>							
Supply/Treatment	\$192,559,971	(\$22,842,878)	(\$54,530,140)	\$2,120,554	\$117,307,507	\$6,703,220	\$124,010,727
Storage	37,377,226	(820,888)	(8,604,968)	10,691,369	38,642,738	276,697	38,919,435
Transmission	55,773,877	(6,448,646)	(25,298,012)	605,351	24,632,570	1,941,549	26,574,119
Pumping (Supply)	-	-	-	-	-	-	-
Pumping (Distribution)	-	-	-	-	-	-	-
Distribution	-	-	-	-	-	-	-
Hydrants	-	-	-	-	-	-	-
Meters & Services	-	-	-	-	-	-	-
General (Supply)	19,910,187	(257,385)	(13,826,485)	1,527,347	7,353,665	47,010	7,400,675
General (Distribution)	-	-	-	-	-	-	-
Subtotal	\$305,621,261	(\$30,369,797)	(\$102,259,605)	\$14,944,922	\$187,936,481	\$8,968,475	\$196,904,956
<b>Fund 4600-RWSS Assets:</b>							
Supply/Treatment	\$200,907,711	(\$18,836,469)	(\$64,858,715)	\$1,789,297	\$119,001,824	\$619,472	\$119,621,296
Storage	-	-	-	-	-	-	-
Transmission	142,581,130	(70,020,557)	(22,779,644)	20,773	49,801,702	439,630	50,241,332
Pumping (Supply)	-	-	-	-	-	-	-
Pumping (Distribution)	-	-	-	-	-	-	-
Distribution	-	-	-	-	-	-	-
Hydrants	-	-	-	-	-	-	-
Meters & Services	-	-	-	-	-	-	-
General (Supply)	793,336	(65,208)	(194,644)	408,182	941,667	(9)	941,658
General (Distribution)	-	-	-	-	-	-	-
Subtotal	\$344,282,178	(\$88,922,234)	(\$87,833,002)	\$2,218,252	\$169,745,193	\$1,059,093	\$170,804,286
<b>Total</b>	<b>\$649,903,439</b>	<b>(\$119,292,031)</b>	<b>(\$190,092,608)</b>	<b>\$17,162,874</b>	<b>\$357,681,673</b>	<b>\$10,027,569</b>	<b>\$367,709,242</b>

<sup>1</sup>60 days of operating expenses, determined separately for each fund and allocated to system functions based on the underlying operating expenses.

**Exhibit 6 (Continued). Calculation and Allocation of Net Rate Base**

	Net Rate Base	Share Allocable to Tacoma <sup>1</sup>	Tacoma Share of Net Rate Base	Share Allocated to Cascade <sup>2</sup>	Cascade Share of Net Rate Base
<b>Fund 4600 Assets:</b>					
Supply/Treatment	\$124,010,727	100.000%	\$124,010,727	13.067%	\$16,205,083
Storage	38,919,435	100.000%	38,919,435	9.292%	3,616,224
Transmission	26,574,119	100.000%	26,574,119	13.067%	3,472,569
Pumping (Supply)	-	100.000%	-	13.067%	-
Pumping (Distribution)	-	100.000%	-	0.000%	-
Distribution	-	100.000%	-	0.000%	-
Hydrants	-	100.000%	-	0.000%	-
Meters & Services	-	100.000%	-	0.000%	-
General (Supply)	7,400,675	100.000%	7,400,675	12.574%	930,525
General (Distribution)	-	100.000%	-	0.000%	-
<b>Subtotal</b>	<b>\$196,904,956</b>		<b>\$196,904,956</b>		<b>\$24,224,400</b>
<b>Fund 4600-RWSS Assets:</b>					
Supply/Treatment	\$119,621,296	41.667%	49,842,207	13.067%	\$6,513,123
Storage	-	41.667%	-	9.292%	-
Transmission	50,241,332	41.667%	20,933,888	13.067%	2,735,533
Pumping (Supply)	-	41.667%	-	13.067%	-
Pumping (Distribution)	-	41.667%	-	0.000%	-
Distribution	-	41.667%	-	0.000%	-
Hydrants	-	41.667%	-	0.000%	-
Meters & Services	-	41.667%	-	0.000%	-
General (Supply)	941,658	41.667%	392,358	13.067%	51,271
General (Distribution)	-	41.667%	-	0.000%	-
<b>Subtotal</b>	<b>\$170,804,286</b>		<b>\$71,168,453</b>		<b>\$9,299,927</b>
<b>Total</b>	<b>\$367,709,242</b>		<b>\$268,073,408</b>		<b>\$33,524,327</b>

<sup>1</sup>Tacoma is allocated 41.667% (15/36) of the assets in Fund 4600-RWSS; the other 58.333% (21/36) is dedicated to the RWSS partners.

<sup>2</sup>Cascade is allocated a share of the net rate base based on the asset allocation shown in **Exhibit 5**.

## C. Calculate Return on Assets

The return on assets is conceptually similar to “rent” that Cascade would pay to Tacoma for the privilege of using its infrastructure. It is calculated by multiplying the net rate base allocated to Cascade in **Exhibit 6** by an appropriate rate of return. Only assets used to provide service under the Market-Priced Wholesale Water Supply Agreement are included in the net rate base used to calculate a return under the utility-basis pricing model – Cascade will pay an SDC to acquire a permanent capacity commitment from Tacoma under the Wholesale Water Supply Agreement and, based on the cash-needs pricing model, will pay for a proportionate share of debt service and rate-funded capital associated with that capacity in the same way as Tacoma’s other retail and wholesale water customers.

While the rate of return is often linked to the service provider’s weighted average cost of capital (WACC), Tacoma and Cascade have agreed to use an externally based index to simplify calculation and updates as financial structures change over time. The rate of return on the rate base will be calculated using an average of the weekly municipal bond yields of the Bond Buyer 25-Bond Revenue Index over the two most recently completed years, plus a margin of 2.5%.

**Exhibit 7** summarizes the calculated rate of return on assets based on 2022 – 2023 municipal bond yield values:

**Exhibit 7. Calculation of Rate of Return on Assets**

Two-Year (2022-2023) Average Yield per 25-Bond Revenue Index	3.711%
Plus: Incremental Premium	2.500%
<b>Rate of Return on Assets</b>	<b>6.211%</b>

Multiplying the net rate base of \$33,524,327 allocated to Cascade (per **Exhibit 6**) by a rate of return of 6.211% (per **Exhibit 7**) results in a return of \$2,082,054 on the assets providing wholesale service. This return is part of the annual cost of service to be recovered from Cascade under the Market-Priced Wholesale Water Supply Agreement and will change over time as the rate base and the average municipal bond yield change.

## D. Allocate Depreciation Expense

The cost of service to be recovered from Cascade also includes a proportionate share of annual depreciation expense on the assets providing service under the Market-Priced Wholesale Water Supply Agreement for two reasons:

- To recognize the costs and decline in value associated with Cascade’s use of Tacoma’s infrastructure
- To collect a reasonable contribution toward the future replacement of the assets providing service that is relatively independent of Tacoma’s internal capital financing decisions

For the purpose of this allocation, Tacoma will use its standard useful life assumptions that are embedded in its annual financial reporting. Page 26 of Tacoma’s 2023 Annual Financial Report specifies the following useful life assumptions:

- Source of Supply Plant: 34 Years
- Pumping Plant: 40 Years
- Water Treatment Plant: 28 Years
- Transmission Plant: 60 Years
- Distribution Plant: 53 Years
- General Plant: 13 Years
- Right to Use: Depends on the life of the lease or subscription

**Exhibit 8** summarizes the allocation of depreciation expense to Cascade, based on the same principles used to allocate the net rate base to Cascade in **Exhibit 6** (while CWIP investments are included in the net rate base used to calculate a return, they are not depreciated unless or until they are booked as a completed capital asset that has been put into service). Similarly, Cascade is only allocated depreciation based on its share of capacity under the Market-Priced Wholesale Water Supply Agreement. As discussed in Section 1.0, the payments that Cascade makes based on the permanent capacity commitment will be pursuant to the Wholesale Water Supply Agreement and Tacoma’s cash-basis ratemaking process.

**Exhibit 8. Allocation of Depreciation Expense**

	Annual Depreciation of Regional System <sup>1</sup>	Share Allocable to Tacoma <sup>2</sup>	Tacoma Share of Annual Depreciation	Basis for Allocation to Cascade	Share Allocable to Cascade	Cascade Share of Annual Depreciation
<b>Fund 4600 Assets:</b>						
Supply/Treatment	\$5,126,502	100.000%	\$5,126,502	Supply Capacity (Peak)	13.067%	\$669,905
Storage	625,709	100.000%	625,709	Storage Capacity	9.292%	58,138
Transmission	911,626	100.000%	911,626	Supply Capacity (Peak)	13.067%	119,127
Pumping (Supply)	-	100.000%	-	Supply Capacity (Peak)	13.067%	-
Pumping (Distribution)	-	100.000%	-	Not Allocated	0.000%	-
Distribution	-	100.000%	-	Not Allocated	0.000%	-
Hydrants	-	100.000%	-	Not Allocated	0.000%	-
Meters & Services	-	100.000%	-	Not Allocated	0.000%	-
General (Supply)	889,932	100.000%	889,932	Other 4600 Supply Assets	12.574%	111,896
General (Distribution)	-	100.000%	-	Not Allocated	0.000%	-
<b>Subtotal</b>	<b>\$7,553,769</b>		<b>\$7,553,769</b>			<b>\$959,065</b>
<b>Fund 4600-RWSS Assets:</b>						
Supply/Treatment	\$6,164,214	41.667%	\$2,568,423	Supply Capacity (Peak)	13.067%	\$335,628
Storage	-	41.667%	-	Storage Capacity	9.292%	-
Transmission	2,326,140	41.667%	969,225	Supply Capacity (Peak)	13.067%	126,653
Pumping (Supply)	-	41.667%	-	Supply Capacity (Peak)	13.067%	-
Pumping (Distribution)	-	41.667%	-	Not Allocated	0.000%	-
Distribution	-	41.667%	-	Not Allocated	0.000%	-
Hydrants	-	41.667%	-	Not Allocated	0.000%	-
Meters & Services	-	41.667%	-	Not Allocated	0.000%	-
General (Supply)	32,807	41.667%	13,670	4600-RWSS Supply Assets	13.067%	1,786
General (Distribution)	-	41.667%	-	Not Allocated	0.000%	-
<b>Subtotal</b>	<b>\$8,523,161</b>		<b>\$3,551,317</b>			<b>\$464,068</b>
<b>Total</b>	<b>\$16,076,930</b>		<b>\$11,105,086</b>			<b>\$1,423,133</b>

<sup>1</sup>Based on plant in service as of 12/31/23.

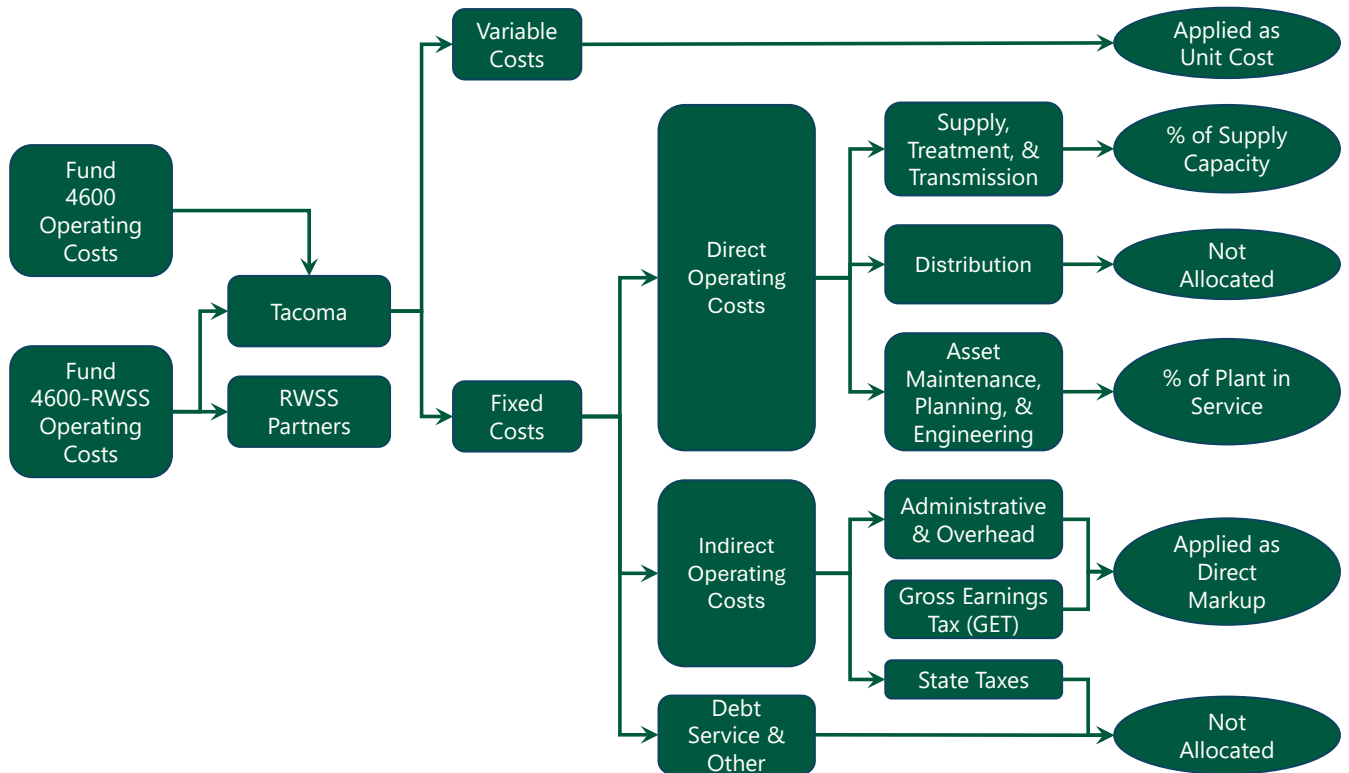
<sup>2</sup>Tacoma is allocated 41.667% (15/36) of Fund 4600-RWSS assets; the other 58.333% (21/36) is dedicated to the RWSS partners.

**E. Allocate Operating Expenses**

**Exhibit 9** summarizes the framework used to allocate operating expenses to Cascade:



**Exhibit 9. Framework for Allocating Operating Expenses**



The framework shown above attempts to balance equity and simplicity, recognizing that Tacoma does not separately track operating expenses specifically related to the facilities that would serve Cascade. The allocation generally summarizes expenses by activity within Tacoma’s chart of accounts, assigning costs to Cascade based on the following principles:

- The pool of operating expenses allocable to Cascade includes the Fund 4600 operating budget and Tacoma’s share (15/36, or 41.667%) of Fund 4600-RWSS operating expenses.
- Variable operating costs including electricity, chemicals, and solids hauling are not directly allocated to Cascade, but are instead built into a variable unit cost that applies to Cascade as an incremental volume charge based on its actual water usage.
- Fixed operating costs are split into separate pools for direct operating costs, indirect operating costs, and debt service/other rate-funded capital costs.
  - » While supply-related capital costs are allocated to Cascade based on its share of peak supply capacity (to recognize that the supply system is sized to meet peak demands), fixed operating costs attributable to supply, treatment, and/or transmission are allocated to Cascade based on its weighted share of average and peak supply capacity

(13.875% per **Exhibit 2**). This allocation recognizes that some operating expenses vary with the size and scale of the system while others vary with how much it is used.

- » Fixed operating costs attributable to the distribution system are not allocated to Cascade.
- » Fixed operating costs attributable to asset maintenance, planning, and engineering are allocated to Cascade based on its share of plant in service. The share of these costs that Tacoma budgets in Fund 4600 is allocated to Cascade based on its share of Fund 4600 assets (3.999% per **Exhibit 5**); Tacoma's share of these costs in Fund 4600-RWSS are allocated to Cascade based on its share of Fund 4600-RWSS assets (13.067% per **Exhibit 5**).
- » Fixed administrative and overhead costs are not allocated to Cascade directly but are built into a markup that applies to its allocation of direct operating costs. The markup is calculated by dividing the total administrative and overhead costs (for Funds 4600 and 4600-RWSS combined) by total operating expenses net of the gross-earnings tax (which, as mentioned below, is applied to the total cost allocation at the end of the calculation). A maximum markup of 30.0% is allowed under the terms of the Market-Priced Wholesale Water Supply Agreement.
- » Retail water conservation investments and expenses are not allocated to Cascade as Cascade has its own conservation program.
- » Taxes are not allocated to Cascade in this part of the analysis. In general, taxes would be applied as a markup to the total cost allocated to Cascade in order to keep Tacoma's water utility financially whole. State excise taxes would not apply because RCW 82.16.050 (2) allows Tacoma to deduct revenue from the sale of water (and other commodities) for resale within the State of Washington. However, Tacoma's 8.0% gross-earnings tax would apply to Cascade as Tacoma's water utility must pay that tax on its gross income (including income received from Cascade). The terms of the Market-Priced Wholesale Water Supply Agreement allow Tacoma to recover the costs associated with the gross-earnings tax, capping the gross-earnings tax rate at 8.0%.

**Exhibit 10** summarizes the allocation of actual 2023 operating expenses to Cascade.

### Exhibit 10. Allocation of Operating Expenses

Calculation of Administrative Cost Markup	2023 Actual
Total Administrative & Overhead Costs (Funds 4600 and 4600-RWSS)	\$27,282,711
Total Operating Costs	\$91,305,677
Less: Gross-Earnings Tax	(9,789,224)
<b>Net Operating Costs</b>	<b>\$81,516,453</b>
Administrative & Overhead Costs as a Percent of Net Operating Costs	33.469%
Maximum Administrative Cost Markup per Agreement	30.000%
<b>Effective Administrative Cost Markup</b>	<b>30.000%</b>

Calculation of Variable Unit Cost	2023 Actual
Variable Operating Costs	
Electricity	\$1,454,628
Chemicals	2,295,783
Solids	-
<b>Subtotal – Fund 4600 O&amp;M</b>	<b>\$3,750,411</b>
Total Production Volume	31,589,574 ccf
Adjustment for Estimated Water Loss	2.000%
Adjusted Production Volume	30,957,782 ccf
Base Variable Cost per ccf	\$0.121
Administrative Cost Markup (30.000%)	0.036
Gross Earnings Tax (8.000%; Effective Rate of 8.696% to Recover Tax on Tax)	0.014
<b>Variable Cost per ccf with Markup (30.000%) &amp; Gross Earnings Tax (8.000%)</b>	<b>\$0.171</b>

	2023 Actual Expense	Share Allocable to Tacoma <sup>2</sup>	Tacoma Share of Annual O&M	Basis for Allocation to Cascade	Share Allocable to Cascade	Cascade Share of Annual O&M
Fund 4600 Variable O&M Costs	\$1,802,080	100.00%	\$1,802,080	Not Allocated	0.00%	\$ -
Fund 4600 Fixed O&M Costs						
Supply, Treatment, & Transmission	15,063,621	100.00%	15,063,621	Weighted Supply Capacity	13.875%	2,090,050
Distribution	12,101,609	100.00%	12,101,609	Not Allocated	0.000%	-
Maintenance, Planning, & Engineering	5,626,707	100.00%	5,626,707	Share of Fund 4600 Assets	3.999%	224,998
Taxes	16,940,680	100.00%	16,940,680	Not Allocated	0.000%	-
Debt Service	3,546,581	100.00%	3,546,581	Not Allocated	0.000%	-
Capital/Other	2,983,030	100.00%	2,983,030	Not Allocated	0.000%	-
Administrative & Overhead	26,798,552	100.00%	26,798,552	Not Allocated	0.000%	-
<b>Subtotal – Fund 4600 O&amp;M</b>	<b>\$84,862,859</b>		<b>\$84,862,859</b>			<b>\$2,315,049</b>
Fund 4600-RWSS Variable O&M Costs	\$1,948,331	64.99%	\$1,266,204	Not Allocated	0.000%	\$ -
Fund 4600-RWSS Fixed O&M Costs						
Supply, Treatment, & Transmission	4,031,546	41.67%	1,679,811	Weighted Supply Capacity	13.875%	233,071
Maintenance, Planning, & Engineering	(21,218)	41.67%	(8,841)	Fund 4600-RWSS Assets	13.875%	(1,155)
Administrative & Overhead	484,159	41.67%	201,733	Fund 4600-RWSS O&M	0.000%	-
<b>Subtotal – Fund 4600-RWSS O&amp;M</b>	<b>\$6,442,818</b>		<b>\$3,138,907</b>			<b>\$231,915</b>
<b>Direct O&amp;M Cost Allocation</b>	<b>\$91,305,677</b>		<b>\$88,001,766</b>			<b>\$2,546,964</b>
<b>O&amp;M Cost Allocation with Markup</b>						<b>\$3,311,054</b>

**Exhibit 10** shows an allocation of approximately \$3.3 million in annual operating costs to Cascade based on its temporary capacity commitment under the Market-Priced Wholesale Water Supply Agreement. In addition to this amount, Cascade will be allocated a share of operating costs for its permanent capacity under the Wholesale Water Supply Agreement based on Tacoma’s cash-needs pricing model.

**F. Calculate Wholesale Rate Structure**

In general, using purely historical costs for the market-priced wholesale rate calculation would result in a lag in cost recovery from Cascade – for example, 2025 rates would be set in 2024 using 2023 data. To avoid undue impacts to Tacoma, the Parties have agreed to adjust the fixed operating costs allocated to Cascade in **Exhibit 10** to reflect two years of inflation in the Consumer Price Index for All Urban Consumers (CPI-U) for the Seattle-Tacoma-Bellevue Metropolitan Area, from June of two years ago to June in the current year. As envisioned, a 2025 rate calculation prepared in 2024 uses CPI-U inflation from June 2022 to June 2024 – based on the published values for these periods, the inflationary adjustment is calculated as  $354.824 / 326.656 = 8.623\%$ . This inflationary adjustment also applies to the variable unit cost increment shown in **Exhibit 10**, increasing the incremental variable cost from \$0.171 per ccf (including the markups for administrative costs and gross-earnings taxes) to \$0.186 per ccf.

Depreciation and the return on assets are not adjusted for inflation, recognizing that they will change with the addition and retirement of assets (which are relatively unpredictable and can vary considerably from year to year). The 2025 rate calculation reflects depreciation and a return on assets that were in service as of 12/31/23 (it also includes a return on CWIP investments that had been made as of 12/31/23, but as previously noted CWIP investments do not depreciate unless or until the related asset is placed into service).

**Exhibit 11** summarizes the total annual cost of service allocated to Cascade for supply that it will receive under the Market-Priced Wholesale Water Supply Agreement:

**Exhibit 11. Summary of Annual Revenue Requirement – Market-Priced Wholesale Water Supply**

	Allocation for 2025 Rates	Notes
Return on Assets	\$2,082,054	6.211% Return ( <b>Exhibit 7</b> ) × Net Rate Base of \$33,524,327 ( <b>Exhibit 6</b> )
Depreciation	1,423,133	Per <b>Exhibit 8</b>
O&M	3,596,570	\$3,311,054 per <b>Exhibit 10</b> with an inflationary adjustment of 8.623%
Taxes:		
State Taxes	-	N/A – Sales for Resale Deductible per RCW 82.16.050 (2)
Gross Earnings Tax	617,544	8% per Section 6A.100.010 of Tacoma Municipal Code
<b>Total Annual Allocated Cost</b>	<b>\$7,719,302</b>	

How Tacoma recovers this allocated cost from Cascade is a point which the parties negotiated. In general, fixed charges promote revenue stability and predictability while volume charges incentivize efficient use of the system and protect both parties from risks associated with overestimating or underestimating usage. Based on discussions between the parties, the wholesale rate structure is set to recover 25% of the total allocated cost through a monthly fixed charge and 75% through a volume charge. **Exhibit 12** shows what the wholesale rate structure would look like based on the 2025 cost allocation shown in **Exhibit 11**.

**Exhibit 12. Rate Structure for Market-Priced Wholesale Water Supply**

	2025 Rate Calculation	Notes
Total Annual Allocated Cost (2025)	\$7,719,302	Per <b>Exhibit 11</b>
Share Recovered Through Fixed Charges	25%	
Annual Cost Recovered Through Fixed Charges	\$1,929,825	
<b>Monthly Fixed Charge</b>	<b>\$160,818.79</b>	
Annual Cost Recovered Through Volume Charges	\$5,789,476	
Estimated Volume	5,855,208 ccf	Average-day demand of 12.0 mgd, converted to ccf
Base Volume Charge per ccf	\$0.989	\$5,789,476 / 5,855,208 ccf
Plus: Variable Unit Cost per ccf Produced	\$0.186	Adjusted for administrative costs, taxes, and inflation
<b>Total Volume Charge per ccf</b>	<b>\$1.175</b>	

For comparative purposes, Section 12.10.400 of the Tacoma Municipal Code specifies a 2025 wholesale water rate structure that includes a fixed “ready-to-serve” charge of \$3,188.34 per mgd of contracted peak capacity and, for “constant-use” wholesale customers with a summer/winter use ratio of 2.5 or less, a seasonal volume rate structure set at \$1.598 per ccf from October – May and \$1.998 per ccf for June – September. Based on the temporary peak-capacity commitment of 17.5 mgd, the fixed charge would be \$55,795.95 per month (\$669,551 per year). Assuming that Cascade uses the full temporary peak-capacity commitment of 17.5 mgd for the 122-day period spanning from June 1 through September 30 and an annual average daily demand of 12.0 mgd, the total annual volume charge would be roughly \$10.5 million. The total annual cost allocated to Cascade in **Exhibit 11** (\$7.7 million) represents approximately 69% of what Cascade would pay under Tacoma’s adopted 2025 wholesale rate structure for a comparable permanent capacity commitment.

### 3.0 Other Technical & Administrative Issues

The rates shown in **Exhibit 12** use 2023 actuals and other recent information to provide a sample calculation of the market-priced wholesale water rate for 2025. The use of historical data in the rate calculation with a defined methodology for inflationary adjustments is

advantageous in that it protects both parties from the risks associated with using forward-looking budget projections, including (but not limited to):

- ***Inflation Assumptions:*** Costs may increase from year to year at a rate that is higher or lower than the assumptions built into the budget.
- ***Operational Assumptions:*** The budget might include planned staffing additions (with corresponding impacts to projected salary and benefit costs) that might or might not occur.
- ***Budget Contingencies:*** The budget may contain contingencies or conservatively high cost estimates that are intended to minimize the likelihood that staff will have to request additional budget to accommodate unforeseen overruns. Because these contingencies do not necessarily represent what the utility actually expects to spend, including them in the pool of costs to be recovered through the wholesale rate structure would arguably result in overcharging wholesale customers for service.

Using historical costs to set the market-priced wholesale rates also avoids the administrative burden of the true-ups that would otherwise be needed to ensure that the rate structure recovers costs equitably. However, the downside to using this approach for rate-setting is that it results in a “lag” in recovering near-term cost increases. To mitigate this, the methodology outlined in this report adjusts the allocated operating costs for two years of inflation in the CPI-U for the Seattle-Tacoma-Bellevue Metropolitan Area. However, some risks remain:

- Cost increases may exceed CPI inflation for various reasons including labor-union negotiations, insurance premium increases, and unanticipated repairs. Such unanticipated cost increases will end up in the rate calculation, albeit with a lag. It would be prudent for the Parties to establish a process that enables mutually agreed-upon adjustments to the annual cost allocation in a given year if needed (likely only in relatively severe cases) to ensure that the rates are based on representative or “normal” operating conditions to the extent possible.
- Though the market-priced wholesale rate calculation uses stable and reliable indices to adjust allocated operating costs for inflation and determine the rate of return on assets, it is possible that the indices used may be modified or discontinued. In either case, the Parties should agree to collaborate (and seek outside guidance from a qualified professional if needed) to find a new index.

It is also worth noting that Tacoma may add programs or cost centers, remove them, or otherwise change its chart of accounts over time. The Parties have agreed that such changes will not occur without Cascade’s concurrence, which it cannot reasonably withhold. In the

event of a dispute, the Parties will initiate a mediation/arbitration process using either a rate consultant, accountant, or perhaps a regulatory agency (such as the Utilities and Transportation Commission) with applicable experience and methods.

# Revised Market-Priced Appendix

Financial Impacts of Cost Allocation Correction

February 26, 2025



# Executive Summary

- Cascade team identified a mathematical error in the Market-Priced Agreement – Methodology Exhibit
  - Cascade was not being allocated its full share of Tacoma's peak capacity
- Result: this increases the Market-Priced charges Cascade will pay between 2041 and 2062 by 9%
- NPV Impact: This increases the NPV cost by \$6 million (2% vs Base Case)
  - Tacoma remains best NPV overall by a significant margin
- Rate Impact: +1% in 2043, -1% in 2061

# Cascade Rate Path Impacts

Annual Rate Adjustment: Current Forecast vs. Prior Scenario

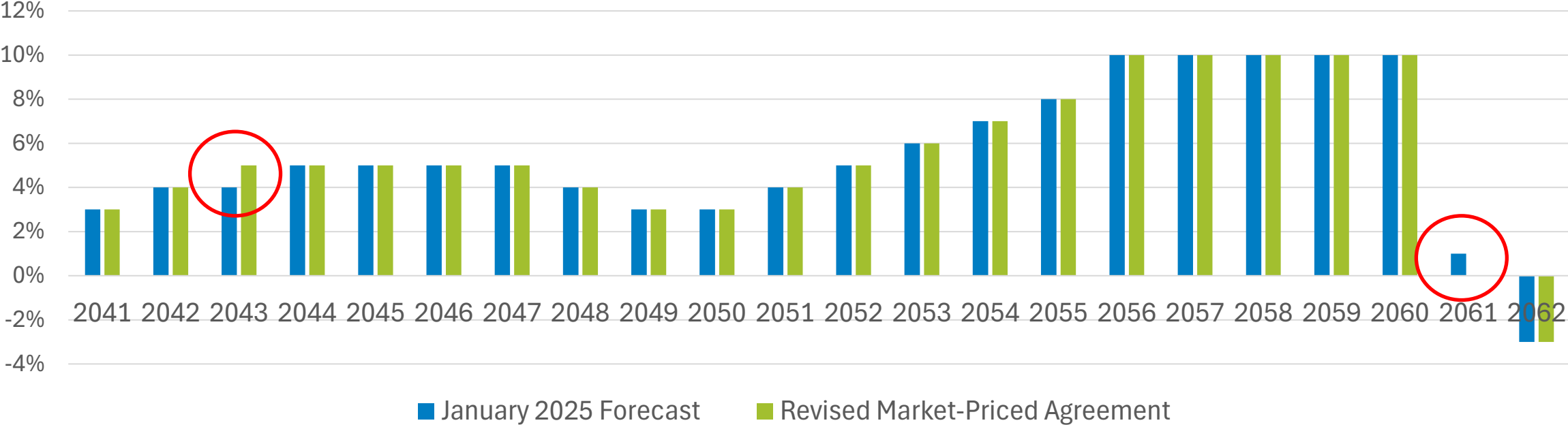
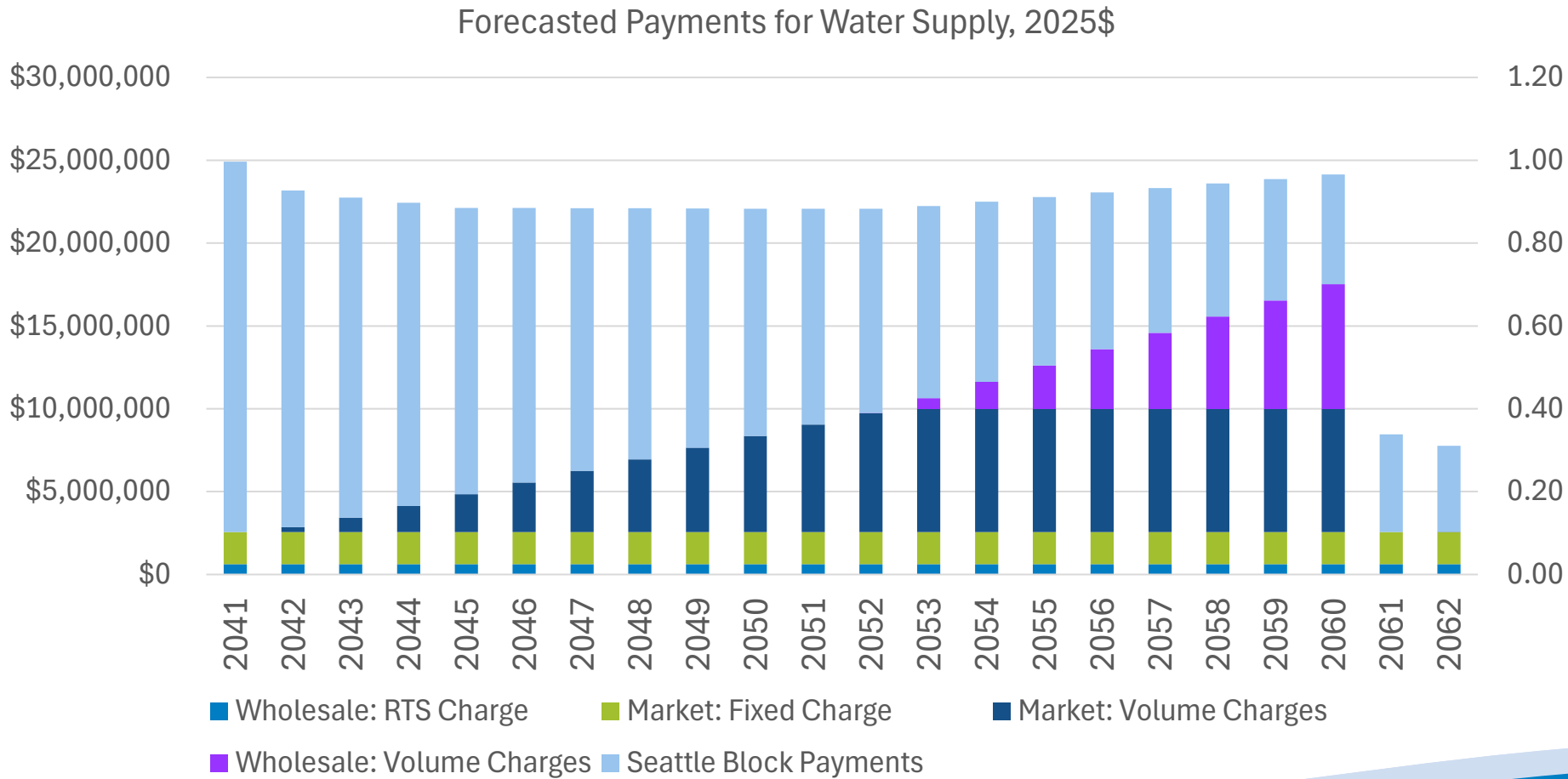


Figure updated from January presentation to reflect revised allocation

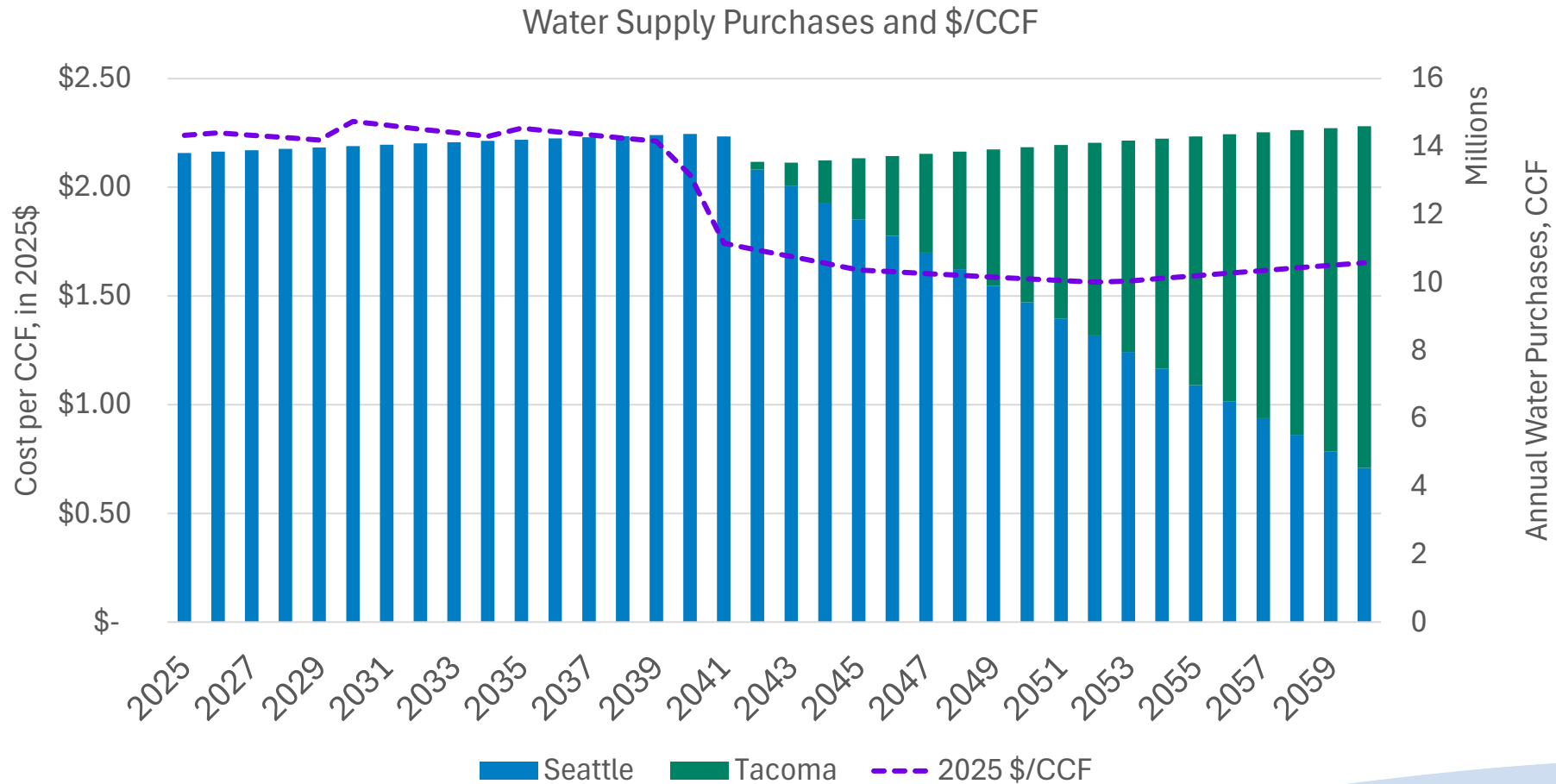
# Projected Payments during Market-Priced Term



Payments shown in 2025 Dollars (removing inflation).

Figure updated from January presentation to reflect revised allocation

# Weighted Average Cost of Water Purchases





**EXECUTIVE COMMITTEE**

Penny Sweet, Chair, City of Kirkland  
Angela Birney, Vice Chair, City of Redmond  
Mary Lou Pauly, Secretary/Treasurer, City of Issaquah

**Meeting RECAP**  
**Tuesday, January 28, 2025**  
**9:30 AM – 10:00 AM**  
**Held via Zoom**

**Discussion Items.**

- A. Water Supply Contract Negotiations – Next Steps with Seattle.** This item is for the Executive Committee to prepare for its meeting with Seattle Mayor Harrell.

***Recap:** The committee discussed the plan to meet with Mayor Harrell on February 7. The committee expressed its interest in continuing to explore regional collaboration opportunities with Seattle and requested CEO Ray Hoffman to prepare background materials and speaking notes.*



**PUBLIC AFFAIRS COMMITTEE**

Angela Birney, Chair, City of Redmond  
Penny Sweet, City of Kirkland  
John Stokes, City of Bellevue  
Ryika Hooshangi, Sammamish Plateau Water  
Russell Joe, City of Issaquah  
Dennis Martinez, City of Tukwila

**Meeting RECAP**

**Wednesday, February 5, 2025**

**9:00 AM – 10:00 AM**

**Held via Zoom (NO in-person meeting due to snow)**

- 1. Chair Comments.**
- 2. Executive Session.**
- 3. Items Recommended for Action at the February 26, 2025 Board Meeting.**
- 4. Discussion Items.**

**A. State Legislative Update.** Staff will provide an update on bills and activities in the state legislative session. Bills and proposals to be discussed include bills that impact water utility meters, prevailing wages in public works contracts, utility infrastructure relocations and others.

*Recap: The committee received an update from Diana Carlen, Gordon Thomas Honeywell, on bills in the state legislative session. Cascade is tracking bills that impact water utilities, including utility relocation and prevailing wage bills. February 21 is the cut-off deadline for bills to be passed out of policy committees.*

**B. Local Shoreline Management Plan Amendments – Bulkheads.** Cascade staff are researching a locally initiated amendment to the Bonney Lake Shoreline Management Plan (SMP) (and ideally the Pierce County SMP as well) to allow for vertical expansion of existing bulkheads on the Lake Tapps Reservoir during the repair/replacement process. Allowing repaired/replaced bulkheads to be built higher will facilitate the full use of the water rights in the Lake Tapps Reservoir in the future without undue impacts to homeowners whose bulkheads are at 543 feet or lower. Although the use of the reservoir for water supply is many years in the future, bulkheads are replaced at a slow pace over many years, and Cascade wants to encourage homeowners to raise bulkhead heights as opportunities arise.

**Recap:** Staff updated the committee on the effort to apply for an amendment to Bonney Lake's Shoreline Code to address Lake Tapps Reservoir bulkhead heights over time as bulkheads are repaired or replaced. Cascade consulted with the Department of Ecology shoreline staff, who supported the approach. Next steps are to contract for a scientific study to support the amendment and work with Bonney Lake staff to ensure the scope of the study is appropriate.

- C. Water System Plan Outreach.** Staff will discuss the outreach schedule for Cascade's draft 2025 Water System Plan.

**Recap:** The outreach plan for the Water System Plan (WSP) has been updated to reflect additional time for member staff review as well as an extended time for the Department of Health's review and comments. Board consideration of the WSP is currently scheduled for May but could be as early as April if the Department of Health takes less time than anticipated for its review.

**5. Other Issues.**

**6. Next Meeting Date and Location.**

The next meeting will be Wednesday, March 5, 2025, 9:00 a.m. – 10:00 a.m. at Cascade's office and via Zoom.



**RESOURCE MANAGEMENT COMMITTEE**  
Lloyd Warren, Chair, Sammamish Plateau Water  
Jon Ault, Skyway Water & Sewer District  
Dave Hamilton, City of Bellevue  
Tom McLeod, City of Tukwila  
John Stokes, City of Bellevue  
Jon Pascal, City of Kirkland  
Ryika Hooshangi, Sammamish Plateau Water  
Angie Nuevacamina, City of Redmond

**Meeting RECAP**  
**Thursday, February 18, 2025**  
**2:00 PM – 3:30 PM**  
**Held at Cascade’s office and via Zoom**

1. Chair Comments.
2. Executive Session.
3. Discussion Items.

**A. Water System Plan Update.** Staff will provide an update on the Water System Plan, including the revised schedule.

*Recap: Staff informed the committee that the draft Water System Plan (WSP) is currently being reviewed by member staff. The next version of the draft will be provided to DOH, Ecology, SPU, Tacoma, and other adjacent purveyors for review. Concurrently, Cascade will conduct SEPA review, offer a public comment period, and hold a public hearing. The final draft WSP is expected to be presented to the committee in May followed by Board adoption. This schedule may change depending on the amount of time DOH spends on its review. This WSP is shorter than the typical 10-year WSP and will only cover a three to four year period. Once Cascade completes a facilities plan for the Tacoma-Cascade Pipeline in two to three years, it will submit a comprehensive 10-year WSP to DOH.*

**B. Phase 3 Update.** Staff will provide a progress update on the Phase 3 construction project, including a schedule and budget update.

*Recap: Staff provided an update to the committee that the Phase 3 project is about five to six weeks behind schedule due to contractor difficulties with its cofferdam, differing site conditions, and change orders. The spring reservoir refill is scheduled to begin in March instead of on February 15. Staff are hopeful that the reservoir will reach summer recreational levels before Memorial Day weekend. The project cost is still tracking within the Board-approved amount from 2018.*



- C. Reclaimed Water.** Staff will provide an update on Cascade’s meeting with King County Wastewater on February 4 regarding Cascade’s agreement with King County on reclaimed water and the County’s RWSP update.

*Recap: The Cascade/King County Agreement to Coordinate Reclaimed Water (Agreement) expires at the end of 2025, and discussions have been stalled since mid-2023. Once the Agreement expires, King County can actively pursue Cascade member customers to offer them reclaimed water in place of potable water. It would also mean that Cascade would be free to explore legislation to achieve its policy goals. An alternative to letting the Agreement expire would be to pursue an extension of the Agreement until the Regional Wastewater Services Plan (RWSP) policy work on reclaimed water is completed, possibly in 2029 or 2030 at the current pace. The Regional Water Quality Committee (RWQC) is currently working on how to approach policy changes in the RWSP, with many Cascade members actively engaged in that forum. Cascade and King County staff met in February and have agreed to meet over the next four months to amend and extend the Agreement. Staff will continue to update the committee on progress, and the final draft agreement will be brought to the Board for review and approval.*

- D. Local Shoreline Management Plan Amendments – Bulkheads.** Cascade staff are researching a locally initiated amendment to the Bonney Lake Shoreline Management Plan (SMP) (and ideally the Pierce County SMP as well) to allow for vertical expansion of existing bulkheads on the Lake Tapps Reservoir during the repair/replacement process. Allowing repaired/replaced bulkheads to be built higher will facilitate the full use of the water rights in the Lake Tapps Reservoir in the future without undue impacts to homeowners whose bulkheads are at 543 feet or lower. Although the use of the reservoir for water supply is many years in the future, bulkheads are replaced at a slow pace over many years, and Cascade wants to encourage homeowners to raise bulkhead heights as opportunities arise.

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- 4. Items Recommended for Action at the February 26, 2025 Board Meeting.**
- 5. Other issues.**
- 6. Next Meeting Date and Location.**

The next meeting will be Thursday, March 13, 2025, 2:00 p.m. – 3:30 p.m. at Cascade’s office and via Zoom.